

# HMT MACHINE TOOLS LIMITED

## CONTENTS

|                                            |    |
|--------------------------------------------|----|
| Board of Directors.....                    | 2  |
| Performance Highlights .....               | 3  |
| Directors' Report .....                    | 4  |
| Management Discussions and Analysis .....  | 10 |
| Corporate Governance .....                 | 13 |
| Annexure to the Director Report.....       | 16 |
| Secretarial Audit Report.....              | 24 |
| Certificate on Corporate Governance.....   | 28 |
| Declaration by the Managing Director ..... | 28 |
| Independent Auditor's Report.....          | 29 |
| Comments of C & AG .....                   | 53 |
| Significant Accounting Policies .....      | 54 |
| Balance Sheet .....                        | 62 |
| Profit & Loss Account .....                | 64 |
| Cash Flow Statement .....                  | 66 |
| Notes Forming Part of Balance Sheet.....   | 68 |

## BOARD OF DIRECTORS

|                              |                                          |
|------------------------------|------------------------------------------|
| Shri S. Girish Kumar         | Chairman / Managing Director             |
| Shri Pravin L. Agrawal       | Director (upto 01.09.2020)               |
| Shri Amit Varadan            | Director (w.e.f 01.09.2020)              |
| Smt. Neelam S. Kumar         | Director                                 |
| Shri Raj Kumar               | Independent Director (upto 19.06.2019)   |
| Smt. G. Vijaya Sunitha Reddy | Independent Director (w.e.f. 27.01.2020) |

## STATUTORY AUDITORS

|                         |                       |
|-------------------------|-----------------------|
| M/s. V. R. Murali & Co. | Chartered Accountants |
|-------------------------|-----------------------|

## SECRETARIAL AUDITOR

|                     |                   |
|---------------------|-------------------|
| Shri S. Viswanathan | Company Secretary |
|---------------------|-------------------|

## BANKERS

|             |                      |
|-------------|----------------------|
| UCO Bank    | Punjab National Bank |
| Andhra Bank | State Bank of India  |

## REGISTERED OFFICE

“HMT BHAVAN”, 59, Bellary Road, Bangalore - 560 032

## CORPORATE IDENTITY NUMBER

U02922KA1999GOI025572

## CORPORATE VISION

To Be a Manufacturing Solution Provider of international Repute, Offering Best of Products & Services With Contemporary Technologies for Customers' ultimate delight.

## CORPORATE MISSION

- To be a key source of : “Technology for Excellence” in the field of metal cutting / metal forming.
- To provide ‘High quality cost competitive solution’ for entire manufacturing Industry on ‘One stop shop’ basis.
- To provide sustained support to all of strategic sectors.
- To exceed customers’ expectations through continuous innovation.
- To provide leadership & direction in the manufacturing sector for the overall industrial growth of nation.

## PERFORMANCE HIGHLIGHTS

(Rs In Lakhs)

|                                  | 2019-20        | 2018-19 | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 | 2012-13 | 2011-12 | 2010-11 |
|----------------------------------|----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>OPERATING STATISTICS</b>      |                |         |         |         |         |         |         |         |         |         |
| Sales                            | <b>17623</b>   | 21741   | 17708   | 19752   | 21783   | 18859   | 17525   | 23623   | 24046   | 21068   |
| Other Income                     | <b>1577</b>    | 2041    | 2825    | 2860    | 2054    | 2267    | 5767    | 1591    | 2330    | 1372    |
| Materials                        | <b>9067</b>    | 8893    | 7583    | 7829    | 8968    | 7787    | 6842    | 10196   | 9982    | 7108    |
| Employee Costs                   | <b>10279</b>   | 11051   | 13137   | 13176   | 14588   | 17059   | 13411   | 13402   | 13864   | 15248   |
| Other Costs                      | <b>847</b>     | 2474    | 5895    | 7,961   | 5,348   | 5,280   | 4,817   | 2832    | 5343    | 7144    |
| Depreciation                     | <b>913</b>     | 884     | 970     | 1010    | 965     | 1004    | 897     | 946     | 978     | 985     |
| Earning Before Interest          | <b>-1905</b>   | 480     | -7051   | -7364   | -6032   | -10004  | -2675   | -2162   | -3791   | -8045   |
| Interest                         | <b>7967</b>    | 6863    | 5874    | 5395    | 4633    | 2694    | 2591    | 2203    | 1599    | 1261    |
| Earnings /(Loss) Before Tax      | <b>-9872</b>   | -6383   | -12925  | -12759  | -10665  | -12698  | -5266   | -4365   | -4614   | -9306   |
| Taxation                         | -              | -       | -       | -       | -       | -       | -       | -       | -       | -       |
| Net Earnings                     | <b>-9872</b>   | -6383   | -12925  | -12759  | -10665  | -12698  | -5266   | -4365   | -4614   | -9306   |
| <b>FINANCIAL POSITION</b>        |                |         |         |         |         |         |         |         |         |         |
| Net Fixed Assets                 | <b>5443</b>    | 5316    | 5472    | 6019    | 6731    | 7151    | 8027    | 8924    | 8489    | 9382    |
| Current Assets                   | <b>38218</b>   | 37668   | 28116   | 27990   | 27018   | 27374   | 25310   | 23392   | 22969   | 21672   |
| Current Liabilities & Provisions | <b>184466</b>  | 172865  | 151335  | 134168  | 114652  | 101644  | 54535   | 48927   | 47259   | 29570   |
| Working Capital                  | <b>-146248</b> | -135197 | -123219 | -106178 | -87634  | -74270  | -29225  | -25535  | -24290  | -7898   |
| Capital Employed                 | <b>-140805</b> | -129881 | -117747 | -100159 | -80903  | -67119  | -21198  | -16611  | -15801  | 1484    |
| Investments                      |                |         |         |         |         |         |         |         |         |         |
| Miscellaneous Expenditure        | -              | -       | -       | -       | -       | -       | -       | -       | -       | 4       |
| Borrowings                       | -              | 634     | 5288    | 10335   | 16797   | 19035   | 4234    | 3554    | -       | 12675   |
| Net Worth                        | <b>-140805</b> | -130515 | -123035 | -110493 | -97698  | -86153  | -25432  | -20166  | -15801  | -11191  |
| <b>OTHER STATISTICS</b>          |                |         |         |         |         |         |         |         |         |         |
| Capital Expenditure              | -              | -       | -       | -       | -       | -       | -3      | -1384   | -105    | -988    |
| Internal Resources Generated     | <b>-8959</b>   | -5499   | -11955  | -11749  | -9700   | -11694  | -4369   | -3419   | -3636   | -8321   |
| Working Capital Turnover Ratio   | <b>-0.12</b>   | -0.16   | -0.14   | -0.19   | -0.25   | -0.25   | -0.60   | -0.93   | -0.99   | -2.67   |
| Current Ratio                    | <b>0.21</b>    | 0.22    | 0.19    | 0.21    | 0.24    | 0.27    | 0.46    | 0.48    | 0.49    | 0.73    |
| Return on Capital (%)            | <b>-1.41</b>   | -0.39   | 8.43    | 7.10    | 6.94    | 3.48    | 3.59    | 3.71    | 1.55    | -0.51   |
| Employees (Nos)                  | <b>1,064</b>   | 1,246   | 1,425   | 1651    | 1902    | 2218    | 2567    | 2950    | 3278    | 3652    |
| Per capita Sales                 | <b>16.56</b>   | 17.45   | 12.43   | 11.96   | 11.45   | 8.50    | 6.83    | 8.01    | 7.34    | 5.77    |

## DIRECTORS' REPORT 2019-20

To,  
The Members,  
HMT Machine Tools Limited,  
Bangalore

Dear Members,

Your Directors have pleasure in presenting their twenty first Annual Report on the business and operations of the Company and Annual Financial Statements of the Company for the Financial Year 2019-20 along with the Auditors' Report there on.

### Financial summary / Performance of the Company

(Rs. in crore)

| Earnings                                     | Current year<br>2019-2020 | Previous<br>year<br>2018-2019 |
|----------------------------------------------|---------------------------|-------------------------------|
| Gross Income                                 | 176.23                    | 217.41                        |
| Profit before Interest<br>and Depreciation   | -9.92                     | 13.64                         |
| Provision for<br>Depreciation &<br>Amortized | 9.13                      | 8.84                          |
| Gross Profit                                 | -19.05                    | 4.80                          |
| Finance Charges                              | 79.67                     | 68.63                         |
| Net Profit Before<br>Tax excluding<br>OCI    | -98.72                    | -63.83                        |
| Provision for Tax                            | -                         | -                             |
| Net Profit After Tax                         | -98.72                    | -63.83                        |

Your Company achieved a Sales turnover of Rs. 176.23 Cr. during the year 2019-20 as compared to Rs. 217.41 Cr. in the previous year. The Production performance was Rs. 213.42 Cr. for the year under review as against Rs. 238.83 Cr. achieved during the previous year. Orders valued Rs. 164.96 Cr. was

procured during the financial year 2019- 20 as against Rs. 253.33 Cr. in the previous year.

The operations of the Company resulted in a Net Loss of Rs. (-) 98.72 Cr. as against the loss of Rs. (-) 63.83 Cr. (excluding OCI) incurred in the previous year.

### MARKET SCENARIO AND FUTURE OUTLOOK FOR 2019-20

According to the International Monetary Fund (IMF) World economic outlook June 2020, Uncertain Recovery Global growth is projected at (-) 4.9 percent in 2020, 1.9 percentage points below the April 2020 World Economic Outlook (WEO) forecast. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecasted in 2021, global growth is projected at 5.4 percent. Overall, this would leave 2021 GDP some 6½ percentage points lower than in the pre-COVID-19 projections of January 2020. India has faced the COVID-19 situation with fortitude and a spirit of self reliance.

IMTMA Global forecast for Machine Tools (MT) Projected Indian GDP growth of 4.4% in 2020 and 6.2% in 2021. The slowdown in GDP growth is also reflected in the production growth of key MT consuming sectors. IMTMA expect MT-weighted production to edge up by 0.1% in 2020 before picking up to more normal growth of 5.9% in 2021, However, despite policy measures, such as a lower effective tax rate of 17% for manufacturing firms, IMTMA expect sluggish manufacturing growth, a slowdown in credit growth and supply disruptions from the coronavirus (Covid-19) pandemic to cap production in other MT-buying segments. High frequency trade data suggest that MT import demand dropped back in H2 2019. Meanwhile, MT-weighted investment is expected to post a 0.5% fall in 2020 before increasing by 6.6% in 2021. Despite weak near-term prospects, long-term prospects are healthy and the 'Make in India' initiative will help to steadily move local MT production up the value chain. On balance, IMTMA expect MT

demand to fall by 2.3% in 2020 and rebound 8.8% in 2021. Risks are skewed to the downside. Worsening global trade tensions could undermine investment growth, denting MT demand, but a pick up in the pace of economic reforms and lower global oil prices could boost growth among MT consuming sectors and, hence, MT demand.

## Dividend

In view of the losses incurred during the year, your Directors are unable to recommend any Dividend on the Paid up Equity Share Capital and Preference Share Capital of the Company for the year 2019-20.

## Reserves

In view of the losses incurred during the year, no amount is proposed by the Board to carry to any reserves.

## Share Capital

The Issued, Subscribed and Paid up Share Capital of the Company stood at Rs. 719,59,91,370/- consisting of 27,65,99,137 Equity Shares of Rs. 10/- each and 4,43,00,000 Preference Shares of Rs. 100/- each which is entirely held by HMT Limited, the Holding Company. The Net worth of the Company as on 31<sup>st</sup> March 2020 is Rs.(-) 1408.05 Crore.

## Indian Accounting standards

As required under Companies (Indian Accounting Standard) Rules, 2015 (Notification No. 111(E) dated 16.02.2015 issued by Ministry of corporate affairs) the Company has prepared the financial statements in accordance with Indian Accounting Standards (Ind AS) with effect from Financial year 2016-17.

The Indian Accounting Standards' (Ind As) has replaced the Indian GAP prescribed under section 133 of the companies Act, 2013, read with Rule 7 of the companies (Accounts) rules, 2014.

## Fixed Deposits

The Company did not accept any fixed deposits during the year and as such there were no outstanding fixed deposits at the beginning / end of the year.

## Enterprise Risk management

As per provisions of Companies Act, 2013, The Board approved Risk Management Policy in line with the holding Company. The Board has also adopted the Integrity Pact to be executed with its vendors/ suppliers/ contractors/ service providers subject to threshold to be decided by the Company.

## Particulars of Employees

No employees of the Company has received remuneration in excess of the limits prescribed under Rule 5 of the Companies (Appointment and Remuneration of Managerial personnel) Rules 2014

## Human Resources

The total employee strength of the Company as on 31.3.2020 stood at 1064. During the year under review, 214 employees have separated and 32 employees newly inducted in the Company.

The details of different categories of personnel in position as on 31.3.2020 are given hereunder:

|                                |     |
|--------------------------------|-----|
| Scheduled Castes               | 212 |
| Schedule Tribes                | 48  |
| Other Backward Class           | 310 |
| Ex-service men                 | 10  |
| Person with Disabilities (PWD) | 16  |
| Women Employees                | 52  |
| Minority                       | 77  |

## EMPLOYEE RELATIONS

Harmonious and cordial Industrial relations prevailed throughout the Company during the year despite difficulties faced in operation. Further, no major IR problems were noticed during the year except some of the court cases from the transferred employees and retired employees.

## IMPLEMENTATION OF OFFICIAL LANGUAGE

The efforts towards implementation of official Language Act, Rules and Policy as per the directives of Govt.

in the Company is continuous. The Official Language Implementation Committee has been constituted in all the Units of the Company as well as Corporate Office, Bangalore to monitor Implementation of Official Language Act, Rules, Policy etc., which meets at regular intervals in every quarter.

In order to propagate the usage of Hindi as Official Language, Hindi Pakhwada was observed during the month of September 2019. Various competitions in Hindi Story Writing, Hindi News Paper Reading, Hindi Quiz writing, Hindi conversation, Hindi Antyakshari etc., were organized and participants were awarded prizes. A workshop was organized during the above period. The Company regularly take part in the meetings, Workshop and competitions organized by Town Official Language Implementation committee(TOLIC). The Company has also organized Quiz Competition for all the members of the TOLIC Bangalore as part of the Joint Hindi Month Celebrated of TOLIC(Undertaking Bengaluru) during August 2019, where more than 46 participants from different PSUs and Govt. Organization participated.

## **Vigilance Activities**

The Company has adopted a pro- active approach to bring vigilance awareness amongst all employees and other stakeholder. The vigilance cells at all units are functioning and keeping watch on the overall activities of the Company. The vigilance officers at each unit carry out surprise checks and periodic inspection in various departments. Apart from regular inspections by Unit Vigilance officers, CVO of the Company conducts CTE type surprise and regular inspections of high value purchase / contracts and systems. The Corporate Vigilance Department carries out vigilance functions in the Holding Company as well as Subsidiary Companies of HMT Limited. All the Unit Vigilance Officers send their monthly Vigilance/Inspection Reports and Surprise Inspection reports to CVO. Reports so received are scrutinized at CVO Office for further action. Unit Vigilance Officers also verify Annual Property Returns submitted by the employees of the Unit. As per the guidelines Vigilances Clearances are issued after verification. Apart from regular inspections

by Unit Vigilance Officers, CVO conducts CTE (Chief Technical Examiner at CVC) type surprise and regular inspections of high value purchase/contracts and systems by visiting various subsidiaries and Units. Violations of rules and procedures observed during the inspection of files by CVO/Dy.CVO/Unit VOs were recorded and depending upon the seriousness of the deviations, further actions are taken. Unit Vigilance Officers are advised to discuss deviations noticed by them during their inspection, in the quarterly Vigilance workshop and advice the concerned officers that the violations of rules and procedures pointed out by the Vigilance Department should not be repeated and all the concerned officers should comply with CVC and Company Purchase Manual guidelines. Emphasis was laid on preventive vigilance by striving towards strict adherence to all rules and procedure and all norms of transparency in tendering process. Based on CVC's guidelines for 'Improving Vigilance administration by leveraging technology and increasing transparency through effective use of website' necessary direction were given by CVO for implementation of the same. Some of the systems put in place by the Company are:

- The Quarterly Vigilance/Annual report is switched over to online method from manual copy.
- Publishing details regarding all purchase orders/ contracts concluded during the month of and above the threshold value (presently Rs 5.00 lakhs).
- In many of the units E- payment mode to suppliers is adopted and compliances level is 60 to 70%.
- Quarterly vigilance workshops were organized at all manufacturing units to enhance the level of vigilance awareness among the employees.
- Systemic improvements were suggested for implementation from time to time.
- Vigilance Awareness Week 2019 with the theme "Integrity – A way of life" was observed in all Units and Offices of Company as per CVC guidelines.

## CORPORATE GOVERNANCE

Your Company is committed to the adoption of best Governance practices and its adherence in the true spirit, at all times. Being a Government Company, appointment of Directors and fixing remuneration for Directors are decided by Govt. of India. With a view to strengthening the Corporate Governance framework, the Department of Public Enterprises, GOI has issued the Guidelines on Corporate Governance for PSE's which are mandatory from the financial year 2010-11. In line with the guidelines your Company strives for excellence through adoption of best governance and disclosure practices.

A report on the Corporate Governance is annexed as part of this report along with the Compliance Certificate from the Auditors. A Report on Management Discussion & Analysis and a declaration by the Managing Director for having obtained affirmation of compliance of the Code of Conduct by the Board Members and Senior Management for the year ended March 31, 2020 is also appended to this Report.

### Events subsequent to the date of financial statements

No Material changes and commitments affecting the financial position of the Company occurred between the end of the Financial year to which this financial statement relates on the date of this report.

### Significant and material orders

No significant and material order has been passed by the regulators, courts, tribunals impacting the going concern status and company's operations in future.

### Particulars of Loans, guarantees or investments under section 186

The Company has complied with the provisions of section 186 of the Companies Act, 2013 in respect of loans, investments, guarantees and security to the extent applicable.

### Particulars of contracts or arrangements with related parties

There were no major contracts or arrangements made with related parties as defined under section 188 of the Companies Act, 2013 during the year under review.

### Disclosure Under the Sexual Harassment of Woman at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has in place an Anti Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. During the year under report, the Company has not received any complaint.

### Transfer of Unclaimed dividend to Investor Education and protection Fund

Since there was no unpaid /unclaimed Dividend declared and paid last year, the provisions of section 125 of the Companies Act, 2013 do not apply.

### Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3) (c) of the Companies Act, 2013.

- that in the preparation of the annual financial statements for the year ended 31.03.2020, the applicable accounting standards has been followed along with proper explanation relating to material departures;
- that such accounting policies have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for the year ended on that date;

- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the annual financial statements have been prepared on a going concern basis;
- that proper internal financial controls were in place and are adequate and were operating effectively;
- that proper systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively;
- Since the overall performance of the Company is evaluated against the annual MoU targets set by the Department of Public Enterprises (DPE), no specific criteria is laid down for the evaluation of Board and of its Committees and the individual Directors. Since your Company being a Central Public Sector Enterprise (CPSE), the personnel policies and guidelines issued by DPE are being adopted in line with other CPSEs, However your Company has policy in respect of appointment or evaluation of senior management and key managerial personnel including Functional Directors.

## EXTRACT OF ANNUAL RETURN

The extracts of Annual Return pursuant to the provisions of Sec 92 read with Rule 12 of the Companies (Management and administration) Rules 2014 is furnished in annexure to this report.

## AUDITORS

### 1. Statutory Auditor

M/s V. R. Murali & Co, Chartered Accountants, were appointed as Statutory Auditors of the Company for the year 2019-20 by the Comptroller & Auditor General of India and separate Branch Auditors were also appointed for the Company.

### 2. Cost Auditors

Your company has appointed Cost Auditors for the year 2019-20 to conduct cost audit for various units as under:

- M/s Venkanna & Co., Cost Accountants, for consolidation audit of the Company.
- Chidananda & Co., Cost & Management Accountants (101167), Bangalore - 560 061 for auditing the cost records maintained by the Company in respect of MBX, MTH & PTH Unit.
- M/s ARS & Associates, Cost Accountants for auditing the cost records maintained by the Company in respect of MTP unit.
- M/s BBS & Associates, Cost Accountants (00273) for auditing the cost records maintained by the Company in respect of MTK unit.
- M/s R.K. Bhandari & Co., Cost Accountants for auditing the cost records maintained by the Company in respect of MTA unit.

### 3. Secretarial Auditor

In terms of Section 204 of the Companies Act, 2013 and Rules made there under, Mr. S. Viswanathan, Practicing Company Secretary has been appointed Secretarial Auditor of the Company. The report of the Secretarial Auditor is enclosed as annexure to this report along with management response there to.

### Declaration from Independent Directors

The Company has received necessary declaration from Independent director of the company under section 149(7) of the Companies Act, 2013 stating that the Independent director of the Company meet with the criteria of their Independence laid down in section 149(6) of the Companies Act, 2013.

### Directors and Key Managerial Personnel

The Ministry of Heavy Industries and Public Enterprises, Department of Heavy Industry, New Delhi vide Presidential order No. 1-05/4/2017-P.E.10 (E19415)

dated 21<sup>st</sup> July, 2020 conveyed the approval of the Competent Authority for extension of additional charge of the post of Managing Director of the Company to Shri S. Girish Kumar, CMD, HMT Limited for a further period of six months w.e.f 01.08.2020 or Until further orders, whichever is earlier.

Shri S. Girish Kumar (DIN: 03385073) retires at the ensuing Annual General Meeting and is eligible for reappointment.

Shri Raj Kumar (DIN NO. 07580810), Non-official Independent Director on the Board has Completed his tenure of 3 years on 19<sup>th</sup> June 2019 in terms of the Presidential Order No.F.No.5(42)/ 2007-P.E.X(Pt.) dated 20th June 2016.

The Ministry of Heavy Industries and Public Enterprises, Department of Heavy Industry, New Delhi vide Presidential order No. 1-05/3/2020-P.E.10 (E20871) dated 27<sup>th</sup> January, 2020 appointed Smt. G. Vijaya Sunitha Reddy (DIN NO. 08606920), as Non-official Independent Director on the Board of the Company for a period of 3 years from the date of notification of her appointment, or until further orders, whichever is earlier.

Shri Pravin L. Agrawal ceased to be a director of the Company w.e.f 1<sup>st</sup> September, 2020 vide Presidential order No. E20170, No. 1-05/15/2019-P.E. 10 dated 1<sup>st</sup> September, 2020 .

The Ministry of Heavy Industries and Public Enterprises, Department of Heavy Industry, New Delhi

vide Presidential order No. E20170, No. 1-05/15/2019-P.E. 10 dated 1<sup>st</sup> September, 2020 appointed, Shri Amit Varadan (DIN NO. 08401348), as Part time official Director on the Board of the Company with immediate effect.

### **Acknowledgements**

The Directors are thankful to HMT Limited, the Holding Company, its Subsidiaries, various Departments and Ministries in the Government of India, particularly the Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, Ministry of Corporate Affairs, Comptroller & Auditor General of India, Principal Director- Commercial Audit, Statutory and Branch Auditors, Director General Supplies & Disposals, Director General, Ordnance Factories, various State Governments, Suppliers and Dealers, the Consortium of Banks led by UCO Bank and valued customers of the Company both in India and abroad for their continued co-operation and patronage.

The Directors also wish to sincerely appreciate the contributions made by the employees at all levels in the operations during the year, despite the difficult situation faced by the Company.

For and on behalf of the Board of Directors

**(S. Girish Kumar)**  
**Chairman**

Place: Bengaluru

Date: 28 September, 2020

## MANAGEMENT DISCUSSION AND ANALYSIS

### A. Industry Structure and Development

Oxford Economics in its Global Machine Tools Outlook report - May 2020, lowered 2020 growth forecast to 4.4% from 5.3% for 2020 and predicted growth of 6.2% in 2021. The substantial revision reflects both deep cuts to the global forecasts, as well as the proactive domestic measures to dampen community transmission risks. As per the estimation growth could dip, before recovery sets in. RBI is expected to support the economy with 75 basic points of cuts this year. The economic outlook has turned decidedly bearish despite a sharp drop in global oil prices, which could have boosted India's growth between 0.3-0.5ppt this year in normal circumstances. However, the tight domestic credit conditions, which could come under further pressure following troubles at Banking Sector. India's coronavirus cases have increased drastically, leading to proactive actions from both the central and state governments, in the form of travel bans, closure of schools, malls, and restaurants, other communal places and encouraging people to work from home. While the steps are in the right direction, domestic demand will feel the pressure in the short term. Another consumption downturn is in the offing, with discretionary spending accounting for more than 30% of household expenditure and downside pressures on the services sector, in particular, raising prospects of job losses. Supply chain disruptions and weak sentiment are also likely to weigh on manufacturing and investment. At the same time, India cannot escape a hit to its goods and service exports from the global economic damage that the COVID-19 pandemic will cause.

The machine tool market is driven by the automotive and auto components industry has accounted for about 40% of machine tools consumption in India at present may decline later after introduction of battery operated vehicles. In addition, the adoption of 3D printing technology is anticipated to boost the growth of the machine tools market in India. Machine Tool Sector

is expected to become more competitive and offers several opportunities for investment. Given the current demand and supply, there is a clear need for adding capacities in this sector. The industry is moving towards increasingly sophisticated CNC machines, driven by demand from key user segments such as Aerospace and defense etc. The use of automated machines lowers the cycle time and increases throughput for end users. Development and proliferation of automation, robotics, artificial intelligence, machine learning, IoT and control solutions are presenting significant opportunities for machine tool industry.

The Covid 19 has changed our collective calculus of uncertainty. It is more global in scope, more profoundly impactful and much more complex than any crisis that countries and companies have ever experienced. The next normal requires confronting uncertainty head on building into decision-making. The "Respond, Recover, Thrive" captures the spirit of the Indian Governments reactions to the pandemic, the economy and building for the future.

### B. Strengths:

- Strong brand image.
- Wide variety – Conventional, CNC, Special purpose & metal forming machines.
- Good infrastructure for manufacturing machine tools.
- Proven experience for component-oriented SPMs built to international standards
- Qualified & experienced engineers and technicians.
- Manufacture of machine tools established through renowned collaborations and in-house R&D.
- Focus group for strategic segments
- Country wide sales and service network.

### C Opportunities:

- Expansions in strategic sector, will fuel demand for Machine Tools.
- Growth in power, nuclear power, Aerospace to fuel demand for Machine Tools.
- Global hub for manufacturing components
- Technology Tie-ups for technology enhancement and product upgradation
- Tie- up with major players in the field and diversification to medical equipments manufacturing
- development of UV Disinfection Tunnel, Isolation Pods and Ventilators to support Country to fight against Covid-19 pandemic.
- Industrial Training and Internship to students.
- Impetus being given by Government for growth in manufacturing sector (Make in India). The Company successfully designed, developed and supplied Flow Forming Machine, Directing Gear of Variants like Alpha P7, Talwar, CNC Twin Spindle Cylindrical Grinding Machine and CNC Vertical Facing Mill with 200 Ton Rotary table under "Make in India" Initiative of the Government.
- The increased focus of Govt. of India for indigenous production under Aatmanirbhar Bharat and consumption under "Vocal for Local" create more opportunity for the company in coming years.

### D. Threats:

- Increased interest rate due to poor credit rating of the company.
- Lowering of import duty for CNC Machinery & Equipments.
- Influx of second hand / reconditioned imported machines.
- No level playing for public sector undertakings.
- Fast technology obsolescence

- shortage of Skilled Manpower in critical area and attrition of man power
- Increased competition in global and Indian market
- Change in Government Policy for Auto Sector
- Recession in Indian Economy
- Uncertainty about the treatment of COVID-19, which hampers the Global economy by reducing demand in major sectors

### E. Segment wise or Product wise Performance

**Segment wise Performance:** The Company received an overall new order booking of Rs.164.96 Cr. out of total sales of Rs. 176.23 Crore during the year 2019-20 and achieved 90% of the milestones as per the customer order, the segment wise sales for the year 2019-20 as follows:

| Sector                               | Rs. In Crore  |
|--------------------------------------|---------------|
| Auto & Auto Ancillary                | 4.01          |
| Railways                             | 15.75         |
| Defense                              | 69.17         |
| Mining & Metals                      | 4.22          |
| Industrial Machinery & Intermediates | 26.62         |
| Power                                | 36.66         |
| Consumer Durables & Others           | 19.80         |
| <b>Total</b>                         | <b>176.23</b> |

### F. Outlook

Demand for machine tools diminishing from the manufacturers of primary goods and intermediate goods. The primary user industries include the automotive sector, capital goods sector and consumer durables sector. Prominent users of machine tools in the intermediate goods sector include the auto components, bearings and electronic components. Sectors like Defense, Consumer Durables and others recorded a good growth in turnover during 2019-20. After collapsing in the last quarter of the financial year 2020 due to COVID-19 pandemic, the economic

output recovered during 2020-21 following the easing of measures deployed to contain the COVID-19 pandemic. The Government of India has identified manufacturing as critical to the future of the economy and HMT MTL as a key player in machine tools. The world after COVID-19 will be different with structural changes in production, consumption and work patterns. The uncertainty of COVID-19 treatment may continue in the foreseeable future, the capability of manufacturers to increase the resilience in their operations based on their core competencies would yield prosperity to the Major structural reforms launched by the Government - in agriculture markets, labour laws and definition of MSMEs- provide unparalleled opportunity for this resilient sector to grow and prosper now and thereby contribute to job creation in the primary and secondary sectors. The modified definition of MSMEs facilitates expansion and growth of these enterprises, without fearing the loss of government incentives, thereby avoiding the phenomenon of dwarfs among MSMEs. The resulting economies of scale can enhance productivity.

The Company during the review period also took up the opportunity to address the COVID pandemic with collaborated efforts and developed a UV Disinfection Tunnel in collaboration with Sri Chitra Trunal Institute, which will help disinfect various objects / passengers/people and is installed in various centers including Kochi Airport, Kannur Airport etc. as well as development of isolation Pods for testing of Covid-19 patients. Company has also tied-up with Indian Institute of Technology Hyderabad for developing 3 Variants of ventilators which are under trials and testing. During the Covid-19 period, health and safety of employees, customers and stakeholders has been accorded top priority along with the mission of serving the customers' needs. Your Company re-started the manufacturing operations at the Units as per the guidelines of National Disaster Management Authority during May 2020 and established standard operating procedures for work under the Covid-19 scenario. The Govt. of India taken several steps to boost the economy.

Therefore your Company is exploring alternate sector like renewable energy, turnkey projects, Defence, Aerospace and machinery & equipments for nuclear applications.

This growth in various sectors presents a positive outlook for improving the company's business during 2020-21.

### **G. Internal Control System and their Adequacy**

The Company has appropriate Internal Control systems for business processes, with regard to efficiency of operations, financial reporting & controls, compliance with applicable laws and regulations, etc. The salient features of internal control system are:

- Clear delegation of power with authority limits for incurring capital and revenue expenditure.
- Well laid down corporate policies for accounting, reporting and Corporate Governance.
- Safeguarding assets against unauthorized use or losses or disposition, and ensuring that the transactions are authorized, recorded and reported correctly.
- Process for formulating and reviewing annual and long term business plans have been laid down.
- Detailed Annual budget giving further break up of monthly targets under various heads.
- Continuous review of the performance by the core committee with reference to the budgets on an ongoing basis.

### **H. Human Resources**

Your Company continues to believe that Human Resources would be a critical factor for its growth. The emphasis was on grooming in-house talent enabling them to take higher responsibilities. Training and retraining was provided to the employees during the year. The key focus remained on retaining and talents grow to meet the growth, aspirations of the Company. The important human related activities during the year 2019-20 are as follows:

- Company on continuous basis submitting online submission of ACR/APAR in respect of all executives (EO and above)

- Company on continuous basis submitting online submission of Quarterly vigilance clearance updation for all senior executives (E5 and above)
- Company is holding of DPC in all cases for executive (EO and above level)
- Talent Management and career progression by imparting at least one week training in Centre of Excellence for 45 out of 340 executives works out to 13.23%
- Company could not introduce / formulate Sabbatical policy for executives during the FY 2019-20
- Company imparted 8 development programs for executives to build their technical & managerial competencies for higher positions with a special focus on web learning programs and company is imparting these types of programs on regular / continuous basis

## I. Corporate Social Responsibility

HMT Group has set up Hospitals, Schools and Playgrounds at various Manufacturing Units for the benefit of employees and the local community.

## CORPORATE GOVERNANCE

In compliance with the Guidelines on Corporate Governance for Central Public Sector Enterprises framed by the Department of Public Enterprises, GOI as applicable to Government Companies and as per the applicable provisions of the Companies Act, 2013 the Company is committed to maintain the highest standards of Corporate Governance and initiated appropriate action for compliance of the Guidelines on Corporate Governance.

### Board of Directors

As on 31.03.2020, the Board of Directors comprised of Chairman, Managing Director(I/c), two part -time Official Director and one Non official Independent Director.

During the year 2019-20, five Board Meetings were held on May 15, June 19, October 12, in the calendar year 2019 and on January 09 and February 14 in the calendar year 2020. The composition of Directors and their attendance at the Board Meetings and at the General Meetings during the year are as follows:

| Name                                                                | Category | Attendance particulars |                               |                 | No. of other Directorships and Committee Member / Chairmanship held |            |              |
|---------------------------------------------------------------------|----------|------------------------|-------------------------------|-----------------|---------------------------------------------------------------------|------------|--------------|
|                                                                     |          | Board Meetings         | Attendance % in Board Meeting | General Meeting | Directorship                                                        | Committee  |              |
|                                                                     |          |                        |                               |                 |                                                                     | Membership | Chairmanship |
| Shri S.Girish Kumar                                                 | C & NENI | 5                      | 100%                          | 1               | 8                                                                   | 1          | -            |
| Shri Pravin L. Agrawal                                              | NENI     | 4                      | 80%                           | NA              | 5                                                                   | -          | -            |
| Smt. Neelam S. Kumar                                                | NENI     | 3                      | 60%                           | NA              | 3                                                                   | 3          | -            |
| Shri Raj Kumar Ceased to be Director w.e.f 19.06.2019               | NEI      | 2                      | 100%                          | NA              | 0                                                                   | -          | 1            |
| Smt. G. Vijaya Sunitha Reddy Appointed as Director w.e.f 27.01.2020 | NEI      | 1                      | 100%                          | NA              | 0                                                                   | 0          | 0            |

\*C&NENI : Chairman, ENI : Executive & Non Independent, NENI : Non Executive & Non Independent, NEI : Non Executive & Independent, NA : Not Applicable

## Brief Introduction of Newly appointed Directors:

### Smt. G. Vijaya Sunitha Reddy

Smt. G. Vijaya Sunitha Reddy, aged 50 years is an Advocate by Profession with graduation in Arts & Masters degree in Business Administration. Previously, she was associated with State Bank of India as Branch Manager. As an Entrepreneur she owns an Engineering & fabrications business. She is also the founder of "Keerthi foundations" a Non-Government Organisation that addresses concerns involving Un-employment, Education & upliftment of Women & weaker sections of Society by arranging Job opportunities to the unemployed, distribution of books and clothes to underprivileged children, sewing machines to empower women so on and so forth. As a social activist, her interests include participation in political and social debates focused towards enlightenment of people on aspects such as welfare of women & their empowerment and analysis of the current scenarios in geo-political context. She has conducted numerous national level programs on

medical awareness and development of small scale businesses.

### Shri Amit Varadan

Shri Amit Varadan inducted as Part-time Official Director on the Board of HMT w.e.f. 01.09.2020. He is presently posted as Joint Secretary in the Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, Government of India. Shri Amit Varadan holds a Bachelor Degree in Economics from St Stephen's College and a Master's Degree in Economics from Jawaharlal Nehru University. He is also an MBA from the Faculty of Management Studies, Delhi University. Prior to taking charge of Joint Secretary, he was Divisional Railway Manager, Secunderabad.

## Committees of the Board

The Audit Committee of the Company has been reconstituted on 09 Jan 2020. During the year 2019-20, five Meetings were held on May 15, June 19, October 12, in the calendar year 2019 and January 09 & February 14 in the calendar year 2020. The composition of and the attendance of Directors during the year are as follows:

| Name of the Director                       | Designation in the committee | Attendance particulars            |                         |                            |
|--------------------------------------------|------------------------------|-----------------------------------|-------------------------|----------------------------|
|                                            |                              | No. of Meeting eligible to attend | No. of Meeting Attended | Percentage of attendance % |
| Shri Raj Kumar.<br>Up to 19.06.2019        | Chairman                     | 2                                 | 2                       | 100%                       |
| Shri S. Girish Kumar                       | Member                       | 5                                 | 5                       | 100%                       |
| Shri Pravin L. Agrawal<br>w.e.f 09.02.2020 | Member                       | 1                                 | 1                       | 100%                       |
| Smt. Neelam S. Kumar<br>w.e.f 12.10.2019   | Member /<br>Chairman         | 5                                 | 3                       | 60%                        |
| Smt. G. Vijaya Sunitha Reddy               | Member                       | 0                                 | 0                       | NA                         |

Note 1: Shree Praveen L. Agaral attended 2 meetings of ACB as invitee

Note 2: Smt. G. Vijaya Sunitha Reddy attended 1 meeting of ACB as invitee

## Remuneration of Directors

The details of remuneration of whole time Director is Nil, since Company has no whole time director during the year ended 31.03.2020. Sitting fees of Rs. 5000/- per meeting of Board and Rs. 3000/- for Audit Committees paid to the Independent Director for attending meetings of the Board and Committees. Conveyance for attending Board/ ACB Meetings is reimbursed by the Company as per actuals. Rs. 500/- is reimbursed to the Director using personal conveyance for attending the meeting.

## General Body Meetings

The last three Annual General Meetings of the Company were held as under:

| Financial Year | Date       | Time       | Venue                                                       |
|----------------|------------|------------|-------------------------------------------------------------|
| 2016-17        | 28.11.2017 | 11.00 A.M. | Registered Office at No.59, Bellary Road, Bangalore-560 032 |
| 2017-18        | 20.08.2018 | 11.30 A.M. | As above                                                    |
| 2018-19        | 05.09.2019 | 12.30 P.M. | As above                                                    |

Annual General Meeting for the current year is scheduled to be held in the month of September 2020 at the Registered Office of the Company.

## Disclosures

There were no transactions of material nature with its Promoters, the Directors or the Management or their relatives which may have the potential conflict with the interest of the Company at large.

The Company has filed the statutory returns for the year 2018-19 with the Ministry of Corporate Affairs/ ROC, Bangalore.

There are outstanding Statutory Dues payable by some of the Units of the Company.

## Means of Communication

Being a wholly owned subsidiary, Company submits financial results periodically to M/s HMT Limited, the Holding Company. Annual results are also updated on the Company's website [www.hmtmachinetools.com](http://www.hmtmachinetools.com).

## WHISTLE Blower Policy

The Company has formulated a Vigil Mechanism/ Whistle Blower Policy For Directors and Employees to report genuine concerns. The Policy provides for adequate safeguards against victimization of Director/s or employee/ s and also provides for direct access to the Chairperson of the Audit committee in appropriate or exceptional cases.

## **Annexure to the Directors' Report - Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo**

**A.** The details of conservation of energy, technology absorption, foreign exchange Earnings and outgo are as follows:

### **a) Energy Conservation measures taken:**

- i Created awareness on the importance of energy conservation and practices among employees & residents has resulted in reduction of electricity consumption.
- ii Recycle water, particularly for use with less-critical quality requirements
- iii Reducing excessive illumination levels to standard level using switching, declamping etc.
- iv Lights / Fans / Exhaust Fans etc being switched off when not in use.
- v Focused on reducing scrap and rework to conserve energy.
- vi Optimizing the tariff structure with utility supplier
- vii Schedule operations to maintain a high load factor
- viii Replacing fluorescent tubes with LED lights & Solar Panels wherever possible.
- ix Optimum usage of all electrical appliances
- x Using solar energy in the canteen for cooking
- xi Shutoff unnecessary printers, computers, copier machines at night.
- xii Idle running of Machines avoided
- xiii Replacing energy efficient motors
- xiv Controlling the Maximum demand of electricity to reduce the Electricity Bill and usage of Natural Light

- xv By carrying out regular maintenance to optimise furnace performance and maintain yield resulting reduction in energy consumption
- xvi Job planning in Heat Treatment / Foundry Furnaces resulted in reduction of specific energy consumption
- xvii Running Induction Furnace on Sunday to reduce maximum demand and consumption of diesel
- xviii Retrofitting of furnace with heat recovery devices.
- xix Maintaining Power factor up to 0.98 and getting cash rebate in Electricity Bill
- xx Preventive maintenance of power capacitors at sub station
- xxi Under loading of Stress Relieving Furnace is avoided.
- xxii Maximized utilization of Omega sand mixer thereby savings in energy.
- xxiii Maximized utilization of medium frequency furnace and reduced usage of line frequency furnaces in Foundry.
- xxiv Compressed air leakage minimized and are being switched off during shift change / Lunch break

### **b) Additional investments and proposals, if any being implemented for reduction of energy consumption:**

Action initiated to set up of rooftop Photovoltaic Solar Power Plants at all manufacturing units to meet captive power requirement of manufacturing unit, street lighting, residential colony, shopping complex.

### **c) Impact on cost of Production of Goods:**

The above mentioned measures have resulted in substantial reduction in consumption of electrical energy at various load centers and helped in reducing the energy cost.

#### **d) Total energy consumption per unit of production:**

Not applicable, as the Company is not covered in the list of specified industries.

### **B. TECHNOLOGY ABSORPTION-FORM B**

#### **Research and Development (R & D)**

1. Specific areas in which R & D carried out by the Company:

##### **a) Technology Acquisition / Absorption:**

- i. R & D status for Hyderabad and Bangalore units to carry out research & development activities. R&D recognition for other HMT units under active consideration by DSIR
- ii. Company has collaborated with M/s. Bharat Electronics for developing Directing Gear of New Variants, which is first of its kind in the world
- iii. Collaborated with Mishra Dhatu Nigam Limited, Hyderabad for development and supply of customized SBCNC40 / 3000 Turning Centres for 3 nos.
- iv. Collaborated with Ordnance Factory, Ambajari for design & development of Flow forming machine
- v. Collaborated with M/s.COFMOW for design and development of CNC Axle Grinding Machine
- vi. Collaborated with Ordnance Factory, Varangaon for development of Head Turning Mouth Reaming machine for machining ammunition components.

##### **b) Technology enhancement / up-gradation for product development:**

- HMT Machine Tools Limited, Ajmer, successfully designed and developed and manufactured prototype CNC Single Head Spindle Grinding

- Company indigenously developed 4 variants of products as a make in India initiative to ISRO, Developed Vertical Turning Lathe to SHAR, Developed & supplied Servo Manipulators to IGCAR and developed Flow forming machine for defense application, totally developed 8 products
- Successfully Designed Developed, manufactured and Supplied to M/s SHAR, ISRO, state-of-art 3 axis CNC vertical Facing Mill BH114 & BH115 machine with 4 meter table & 65 tons load carrying capacity with hydro static bearings first in India as an import substitution under "Make in India" Initiative of Government of India. Solid rocket motors components are manufactured on this machine by ISRO as a part of Chandrayaan-2 mission. This machine is with state-of-art technology with various sub-systems, remote CNC controlled system to machine extremely hazardous solid propellant and high speed machining for motor insulation.
- Successfully Designed Developed, manufactured and Supplied CNC Ram type VTL machine VT522 to M/s NFC, Hyderabad with grinding attachment for machining operations like Boring, Counter Boring, Grinding of HEP & VPP Containers (Tool Steel) weighing upto 12 tons used for hot extrusion of Zirconium tubes.
- Successfully Designed, Developed, Manufactured & Supplied CNC VTL 1600 machine model VT525 to M/s VSSC, Tiruvananthapuram.
- Successfully Designed, Developed, Manufactured & Supplied new products Stallion 200TMC, SBCNC 30N, SBCNC TMY, CMT 200.
- Successfully Designed & Developed VMC300 machine and introduction of in-line direct Drive Spindle.

- Development of Flow Forming Lathe under technology transfer from M/s F.T. Machines, Germany
- Development in house CNC Centre less Grinder for Grinding of Uranium Pallets with Auto loading & unloading.
- Development of CNC Twin Head Grinding m/c for simultaneous grinding of both ends of railway axle for M/s ICF, Chennai.
- Developed axle grinding machine and supplied to Indian Railways.

**c. Development of existing machines:**

1. Designed & Developed CNC Centreless Grinder with loading / unloading of UJ Cross with grinding cross for M/s RSB Transmissions.
2. Designed and Developed Heavy Duty CNC Cylindrical Grinding machine with centre distance of 2000 rpm with in-process gauging for HMT MTL, Ajmer.

**B1. Other Initiatives from company:**

- a. Greater emphasis on Preventive Maintenance and efficient Spares Management for Plant & Machinery to reduce breakdown and production loss.
- b. Completely out sourcing of B and C class item.

**2. Benefits derived as a result of the above R&D**

Improvement in order inflow

**3. Future Plans of action:**

- a. Setting up of two more Skill Development Centers, under implementation.
- b. Development of Machinery for Nuclear Projects Viz, NFC, BARC & IGCAR.
- c. Medical Equipments & accessories.
- d. Sub Assemblies for Indian Navy under progress.

- e. 5 axes CNC Filament Winding Machine with turning attachment.
- f. Industrial Robotics with Hiwin, Taiwan

**4. Expenditure on R & D Particulars (Rs. in Lakhs)**

|              |     |        |
|--------------|-----|--------|
| a) Capital   | Rs. | -      |
| b) Recurring | Rs. | 112.90 |
| Total        | Rs  | 112.90 |

5. Total R & D Expenditure 0.64 % (as % of Turnover)

6. Technology absorption, adaptation and innovation & MOU's signed

- Dept. of Scientific & Industrial Research (DSIR), Dept. Of Science and Technology, Govt. of India recognized HMT MTL Metal Cutting R&D and CNC R&D Centre at Bangalore Complex also R&D Centre at Hyderabad unit for development of new technology and carrying out R&D activities for capital goods sector.

**C. FOREIGN EXCHANGE EARNING AND OUTGO**

Activities relating to exports, initiatives taken to increase export markets for products and services and plant

Exports of the Company's products are managed by HMT (International) Limited, the wholly-owned subsidiary of HMT Limited, the Holding Company.

Total Foreign Exchange used and earned:

**PARTICULARS (Rs. in Lakhs)**

|                                                             |         |
|-------------------------------------------------------------|---------|
| 1. Foreign Exchange earned                                  | 1.62    |
| 2. Outgo of Foreign Exchange (CIF value of imports)         | 2384.60 |
| 3. Expenditure in Foreign currency on Account of travelling | Nil     |
| 4. Currencies on account of Royalty,                        | Nil     |
| 5. Know-how / Professional Fees, Interest and other matters | Nil     |

**Annexure - I**

**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
**As on the financial year ended on 31.03.2020**

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

**I. REGISTRATION AND OTHER DETAILS:**

- i. CIN : U02922KA1999GOI025572
- ii. Registration Date : August 09, 1999
- iii. Name of the Company : HMT Machine Tools Limited  
HMT Bhavan, 59, Bellary Road, Bangalore – 560 032
- iv. Category/Sub-Category of the Company : Company Limited by Shares /Union Government Company
- v. Address of the registered office and contact details : HMT Bhavan, 59, Bellary Road, Bangalore – 560 032  
Ph.: 91- 80-23330333  
Fax: 91-80- 23338949  
Email : mtmcoss@hmtmachinetools.com
- vi. Whether listed company : No
- vii. Name, Address and Contact details of Registrar and Transfer Agent, if any : HMT Machine Tools Limited  
HMT Bhavan, 59, Bellary Road, Bangalore – 560 032  
Ph.: 91- 80-23330333  
Fax: 91-80- 23338949

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10% or more of the total turnover of the company

| Sl. No. | Name and Description of main Products/ Services                                                          | NIC/CETA Code of the Product / service | % total turnover of the company |
|---------|----------------------------------------------------------------------------------------------------------|----------------------------------------|---------------------------------|
| 1       | Manufacturers of machine tools for turning, drilling, milling, shaping, planning, boring, grinding etc., | 28221                                  | 90 %                            |

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

| Sl. No. | Name and Address of the Company | CIN/GLN               | Holding Subsidiary Joint Venture | % of shares held associate |
|---------|---------------------------------|-----------------------|----------------------------------|----------------------------|
| 1       | HMT Limited                     | L29230KA1953GOI000748 | Holding                          | 100                        |

**IV. SHAREHOLDING PATTERN (Equity Share Capital Break up as percentage of Total Equity)**
**i) Category- wise Share Holding**

| Category Code | Category of Shareholders           | NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR |          |       |                   | NO. OF SHARES HELD AT THE END OF THE YEAR |          |       |                   | % Change during |
|---------------|------------------------------------|-------------------------------------------------|----------|-------|-------------------|-------------------------------------------|----------|-------|-------------------|-----------------|
|               |                                    | Dem-at                                          | Physcial | Total | % of Total Shares | Demat                                     | Physcial | Total | % of Total Shares |                 |
| (I)           | (II)                               | (III)                                           | (IV)     | (V)   | (VI)              | (VII)                                     | (VIII)   | (IX)  | (X)               | (XI)            |
| (A)           | <b>PROMOTER AND PROMOTER GROUP</b> |                                                 |          |       |                   |                                           |          |       |                   |                 |
| (a)           | Individual /HUF                    |                                                 |          |       |                   |                                           |          |       |                   |                 |

| Category Code | Category of Shareholders                                         | NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR |                  |                  |                   | NO. OF SHARES HELD AT THE END OF THE YEAR |                  |                  |                   | % Change during |
|---------------|------------------------------------------------------------------|-------------------------------------------------|------------------|------------------|-------------------|-------------------------------------------|------------------|------------------|-------------------|-----------------|
|               |                                                                  | Demat                                           | Physical         | Total            | % of Total Shares | Demat                                     | Physical         | Total            | % of Total Shares |                 |
| (b)           | Central Government/State Government(s)                           |                                                 |                  |                  |                   |                                           |                  |                  |                   |                 |
| (c)           | Bodies Corporate                                                 |                                                 |                  |                  |                   |                                           |                  |                  |                   |                 |
| (d)           | Financial Institutions / Banks                                   |                                                 |                  |                  |                   |                                           |                  |                  |                   |                 |
| (e)           | Government Companies                                             | 0                                               | 276599137        | 276599137        | 100               | 0                                         | 276599137        | 276599137        | 100               | 0               |
|               | Sub-Total A(1)                                                   | 0                                               | 276599137        | 276599137        | 100               | 0                                         | 276599137        | 276599137        | 100               | 0               |
| (2)           | FOREIGN                                                          | NIL                                             |                  |                  |                   |                                           |                  |                  |                   |                 |
|               | Sub-Total A(2)                                                   | -                                               | -                | -                | -                 | -                                         | -                | -                | -                 | -               |
|               | Total A=A(1)+A(2)                                                | 0                                               | 276599137        | 276599137        | 100               | 0                                         | 276599137        | 276599137        | 100               | 0               |
| (B)           | <b>PUBLIC SHAREHOLDING</b>                                       | NIL                                             |                  |                  |                   |                                           |                  |                  |                   |                 |
|               | Sub-Total B(1)                                                   | -                                               | -                | -                | -                 | -                                         | -                | -                | -                 | -               |
| (2)           | NON-INSTITUTIONS                                                 | Nil                                             |                  |                  |                   |                                           |                  |                  |                   |                 |
|               | Sub-Total B(2) :                                                 | -                                               | -                | -                | -                 | -                                         | -                | -                | -                 | -               |
|               | Total B=B(1)+B(2) :                                              | -                                               | -                | -                | -                 | -                                         | -                | -                | -                 | -               |
|               | Total (A+B) :                                                    |                                                 |                  |                  |                   |                                           |                  |                  |                   |                 |
| (C)           | Shares held by custodians, against which                         | NIL                                             |                  |                  |                   |                                           |                  |                  |                   |                 |
| (1)           | Depository Receipts have been issued Promoter and Promoter Group |                                                 |                  |                  |                   |                                           |                  |                  |                   |                 |
| (2)           | Public                                                           |                                                 |                  |                  |                   |                                           |                  |                  |                   |                 |
|               | <b>GRAND TOTAL (A+B+C) :</b>                                     | <b>0</b>                                        | <b>276599137</b> | <b>276599137</b> | <b>100</b>        | <b>0</b>                                  | <b>276599137</b> | <b>276599137</b> | <b>100</b>        | <b>0</b>        |

## ii) Shareholding of Promoters

| No. | Shareholder's Name | Shareholding at the beginning of the year |                                  |                                                  | Shareholding at the end of the year |                                  |                                                  | % change in share holding during the year |
|-----|--------------------|-------------------------------------------|----------------------------------|--------------------------------------------------|-------------------------------------|----------------------------------|--------------------------------------------------|-------------------------------------------|
|     |                    | No. of Shares                             | % of total Shares of the company | % of Shares Pledged / encumbered to total shares | No. of Shares                       | % of total Shares of the company | % of Shares Pledged / encumbered to total shares |                                           |
| 1.  | HMT Limited        | 276599137                                 | 100                              | NIL                                              | 276599137                           | 100                              | NIL                                              | 0.00                                      |

## iii) Change in Promoters' Shareholding (please specify, if there is no change) – NO CHANGE

| Sr. No |                                                                                                                                                                                | Shareholding at the beginning of the year |                                  | Cumulative Shareholding during the year |                                  |
|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------------------------------|-----------------------------------------|----------------------------------|
|        |                                                                                                                                                                                | No. of shares                             | % of total shares of the company | No. of shares                           | % of total shares of the company |
|        | At the beginning of the year                                                                                                                                                   | 276599137                                 | 100                              | 276599137                               | 100                              |
|        | Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc): | 0                                         | 0                                | 0                                       | 0                                |
|        | At the End of the year                                                                                                                                                         | 276599137                                 | 100                              | 276599137                               | 100                              |

## iv) Shareholding Pattern of top ten Shareholders (other than Directors, promoters and Holders of GDRs and ADRs): NA

| For Each of the Top 10 Shareholders | Shareholding at the beginning of the year |                                  | Shareholding at the beginning of the year |                                  |
|-------------------------------------|-------------------------------------------|----------------------------------|-------------------------------------------|----------------------------------|
|                                     | No. of shares                             | % of total shares of the company | No. of shares                             | % of total shares of the company |
| Not Applicable                      |                                           |                                  |                                           |                                  |

**v) Shareholding of Directors and Key Managerial Personnel:**

| For each of the Directors and KMP                                                                                                                                              | Shareholding at the beginning of the year |                                  | Cumulative Shareholding during the year |                                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------------------------------|-----------------------------------------|----------------------------------|
|                                                                                                                                                                                | No. of shares                             | % of total shares of the company | No. of shares                           | % of total shares of the company |
| At the beginning of the year                                                                                                                                                   | -NIL-                                     | -NA-                             | -NIL-                                   | -NA-                             |
| Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc): | -NA-                                      |                                  | No change                               |                                  |
| At the End of the year                                                                                                                                                         | -NIL-                                     | -NA-                             | -NIL-                                   | -NA-                             |

None of the Directors or Key Managerial Personnel is holding any shares in the company.

**V. INDEBTEDNESS**
**Indebtedness of the Company including interest outstanding/accrued but not due for payment**

(Rs. in Lakhs)

|                                                                             | Secured Loans excluding deposits | Unsecured Loans | Deposits    | Total Indebtedness |
|-----------------------------------------------------------------------------|----------------------------------|-----------------|-------------|--------------------|
| <i>Indebtedness at the beginning of the financial year as on 01.04.2019</i> |                                  |                 |             |                    |
| i) Principal Amount                                                         | 15604.74                         | 34,852.80       | -           | 50457.54           |
| ii) Interest due but not paid                                               | -                                | 20434.34        | -           | 20434.34           |
| iii) Interest accrued but not due                                           | -                                | 1839.58         | -           | 1839.58            |
| <b>Total (i+ii+iii)</b>                                                     | <b>15604.74</b>                  | <b>57126.72</b> | <b>0.00</b> | <b>72731.46</b>    |
| Change in Indebtedness during the financial year                            |                                  |                 |             |                    |
| - Addition                                                                  | 7353.82                          | 6048.89         | -           | 13402.71           |
| - Reduction                                                                 |                                  | -               | -           |                    |
| <b>Net Change</b>                                                           | <b>7353.82</b>                   | <b>6048.89</b>  | <b>0.00</b> | <b>13402.71</b>    |
| <i>Indebtedness at the end of the financial year 31.03.2020</i>             |                                  |                 |             |                    |
| i) Principal Amount                                                         | 22958.56                         | 34852.80        | -           | 57811.36           |
| ii) Interest due but not paid                                               | -                                | 26295.60        | -           | 26295.60           |
| iii) Interest accrued but not due                                           | -                                | 2027.21         | -           | 2027.21            |
| <b>Total (i+ii+iii)</b>                                                     | <b>22958.56</b>                  | <b>63175.61</b> | <b>0.00</b> | <b>86134.17</b>    |

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**
**A. Remuneration to Whole-time Director:**

Amount in Rs.

| Sl. No. | Particulars of Remuneration                                                                                                                                                                                                               | Name of MD/WT/ Manager<br>Shri S. Girish Kumar |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|
| 1       | Gross salary<br>(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961<br>(b) Value of perquisites u/s 17(2) Income-tax Act, 1961<br>(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961 | Nil<br>-<br>-                                  |
| 2       | Stock Option                                                                                                                                                                                                                              | -                                              |

| Sl. No. | Particulars of Remuneration                   | Name of MD/WTD/ Manager<br>Shri S. Girish Kumar |
|---------|-----------------------------------------------|-------------------------------------------------|
| 3       | Sweat Equity                                  | -                                               |
| 4       | Allowances and others<br>(W.A, EL & P. Bonus) | -                                               |
| 5       | Provident Fund                                | -                                               |
| 6       | Gratuity                                      | -                                               |
|         | Total (A)                                     | -                                               |
|         | Ceiling as per the Act                        | -                                               |

**B. Remuneration to other Directors:**
**Independent Directors :**
**Amount in Rs.**

| Particulars of Remuneration                           | Shri. Raj Kumar<br>(Independent Director) | Smt. G. Vijaya Sunitha Reddy<br>(Independent Director) |
|-------------------------------------------------------|-------------------------------------------|--------------------------------------------------------|
| - Sitting fees for attending board/committee meetings | 16,000/-                                  | 5,000/-                                                |
| - Commission                                          | -                                         | -                                                      |
| - Others, please specify                              | -                                         | -                                                      |
| Total (1)                                             | 16,000/-                                  | 5,000/-                                                |
| <b>Other Non-Executive Directors</b>                  |                                           |                                                        |
| <i>Particulars of Remuneration</i>                    | -                                         | -                                                      |
| Total (2)                                             | -                                         | -                                                      |
| Total (B)=(1+2)                                       | 16,000/-                                  | 5,000/-                                                |
| <b>Total Managerial Remuneration</b>                  | <b>16,000/-</b>                           | <b>5,000/-</b>                                         |
| Overall Ceiling as per the Act                        | -                                         |                                                        |

**C. Remuneration to Key Managerial Personnel Other than MD / Manager / WTD**
**Amount in Rs.**

| Sl. No. | Particulars of Remuneration                                                                     | Key Managerial Personnel                     |                                                 |
|---------|-------------------------------------------------------------------------------------------------|----------------------------------------------|-------------------------------------------------|
|         |                                                                                                 | Shri Om Prakash Singh<br>(Company Secretary) | Shri Hari Kumar. M<br>(Chief Financial Officer) |
| 1.      | Gross salary (a)Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 6,89,351/-                                   | 6,95,492/-                                      |
|         | (b)Value of perquisites u/s17(2) Income-tax Act, 1961                                           | -                                            | -                                               |
|         | (c)Profits in lieu of salary under section 17(3)Income-tax Act, 1961                            | -                                            | -                                               |
| 2.      | Stock Option                                                                                    | -                                            | -                                               |
| 3.      | Sweat Equity                                                                                    | -                                            | -                                               |
| 4.      | Allowances and others<br>(W.A, EL & P. Bonus)                                                   | 30,575/-                                     | 720/-                                           |
| 5.      | Provident Fund                                                                                  | 75,514/-                                     | 82,353/-                                        |
| 6.      | Gratuity                                                                                        | 32,573/-                                     | 36,331/-                                        |
|         | <b>TOTAL</b>                                                                                    | <b>8,28,013/-</b>                            | <b>8,14,896/-</b>                               |

**VII: PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES: NIL**

| Type                                | Section of the Companies | Brief Act Description | Details of Penalty/ Punishment/Compounding fees imposed | Authority [RD / NCLT/ COURT] | Appeal made, if any (give Details) |
|-------------------------------------|--------------------------|-----------------------|---------------------------------------------------------|------------------------------|------------------------------------|
| <b>A. COMPANY</b>                   |                          |                       |                                                         |                              |                                    |
| Penalty                             |                          |                       | None                                                    |                              |                                    |
| Punishment                          |                          |                       | None                                                    |                              |                                    |
| Compounding                         |                          |                       | None                                                    |                              |                                    |
| <b>B. DIRECTORS</b>                 |                          |                       |                                                         |                              |                                    |
| Penalty                             |                          |                       | None                                                    |                              |                                    |
| Punishment                          |                          |                       | None                                                    |                              |                                    |
| Compounding                         |                          |                       | None                                                    |                              |                                    |
| <b>C. OTHER OFFICERS IN DEFAULT</b> |                          |                       |                                                         |                              |                                    |
| Penalty                             |                          |                       | None                                                    |                              |                                    |
| Punishment                          |                          |                       | None                                                    |                              |                                    |
| Compounding                         |                          |                       | None                                                    |                              |                                    |

Due to absence/inadequacy of profits the Company Could not take up any CSR PROJECTS for the year 2019-20

**FORM NO. AOC.2**

*(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)*

**Form for disclosure of particulars of contracts/ arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto**

1. Details of contracts or arrangements or transactions not at arm's length basis
  - (a) Name(s) of the related party and nature of relationship: Not Applicable
  - (b) Nature of contracts/arrangements/transactions: Not Applicable
  - (c) Duration of the contracts/arrangements/transactions: Not Applicable
  - (d) Salient terms of the contracts or arrangements or transactions including the value, if any: Not Applicable
  - (e) Justification for entering into such contracts or arrangements or transactions: Not Applicable
  - (f) date(s) of approval by the Board: Not Applicable
  - (g) Amount paid as advances, if any: Not Applicable
  - (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188: Not Applicable
2. Details of material contracts or arrangement or transactions at arm's length basis
  - (a) Name(s) of the related party and nature of relationship: Not Applicable
  - (b) Nature of contracts/arrangements/transactions: Not Applicable
  - (c) Duration of the contracts/arrangements/transactions: Not Applicable
  - (d) Salient terms of the contracts or arrangements or transactions including the value, if any: Not Applicable
  - (e) Date(s) of approval by the Board, if any: Not Applicable
  - (f) Amount paid as advances, if any: Not Applicable

On behalf of the Board of Directors

Place: Bengaluru  
Date : September 28, 2020

**(S. GIRISH KUMAR)**  
Managing Director

## Form No. MR-3

### Secretarial Audit Report for the financial year ended 31st March 2020

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To

#### The Members

**M/s. HMT Machine Tools Limited**  
(CIN: U0292KA1999GOI025572)  
HMT Bhavan, 59, Bellary Road,  
Bangalore – 560032

I have conducted the Secretarial Audit of the compliances of applicable statutory provisions and the adherence to good corporate practices by M/s. HMT Machine Tools Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conduct/statutory compliances and expressing my opinion thereon.

The Company is a Government Company and a Central Public Sector Enterprise (CPSE). It is a wholly owned subsidiary of HMT Limited (a listed Government Company and CPSE). The Company is engaged in manufacture, sale and servicing of Machine Tools.

#### Management's Responsibility for Secretarial Compliances:

The Company's Management is responsible for preparation and maintenance of secretarial records and for devising proper systems to ensure compliance with the provisions of applicable laws and regulations.

#### Auditor's Responsibility:

My responsibility is to express an opinion on the secretarial records, standards and procedures followed by the Company with respect to secretarial compliances. I believe that audit evidence and information obtained from the Company's management is adequate and appropriate for me to provide a basis for my opinion. Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and read with the Statutory Auditors' Report on Financial Statements and Compliance

of the conditions of Corporate Governance and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion and to the best of my information, knowledge and belief and according to the explanations given to me, the Company has, during the audit period covering the financial year ended on 31st March 2020 (Audit Period) generally complied with the applicable statutory provisions listed hereunder and also that the Company has proper Board - processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by M/s. HMT Machine Tools Limited for the financial year ended on 31st March 2020 according to the provisions of:

1. The Companies Act, 2013 and the Rules made thereunder;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
3. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings to the extent applicable to the Company - **There were no FDI, ODI or ECB transaction in the company during the year under review.**
4. The provisions of the Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder **are not applicable to the Company.**
5. The provisions of the Securities and Exchange Board of India Act, 1992 ('SEBI Act') and the regulations and guidelines prescribed thereunder **are not applicable to the Company.**

I have also examined compliance with the applicable clauses of the following:

- a. Secretarial Standards with respect to Board and General Meetings issued by The Institute of Company Secretaries of India.

During the year under review, the Company has complied with the provisions of the aforementioned Acts, Rules, Regulations and applicable clauses of the Secretarial Standards with respect to Board and General Meetings issued by The Institute of Company Secretaries of India, subject to the following observations:

### 1. Appointment of Independent Directors

- a. As per the provisions of Section 149 (4), "Central Government may prescribe the minimum Number of Independent Directors" In the case of companies other than listed companies.
- b. As per Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014, "Number of Independent directors. - [(1)] The following class or classes of companies shall have at least two directors as independent directors -
  - (i) the Public Companies having paid up share capital of ten crore rupees or more; or
  - (ii) the Public Companies having turnover of one hundred crore rupees or more; or
  - (iii) the Public Companies which have, in aggregate, outstanding loans, debentures and deposits, exceeding fifty crore rupees:
- c. As per Rule 4 (2), introduced vide Notification No. G.S.R. 839(E) dated 5th July, 2017.

"The following classes of unlisted public company shall not be covered under sub-rule (1), namely: -

- (a) a joint venture;
- (b) a wholly owned subsidiary; and
- (c) a dormant company as defined under section 455 of the Act"

- d. As per SEBI Regulations, a listed entity like HMT Limited is required to appoint atleast one

Independent Director on the Board of its Material Subsidiary.

Therefore, the Board of the Company have continued to appoint one Independent Director as advised by the Holding Company and Government of India, Ministry of Heavy Industries and Public Enterprise. The term of office of Shri. Raj Kumar as Independent Director ended on 20.06.2019. In his place, the Govt of India and HMT Limited (Listed Holding Company) appointed Smt. Gaddam Vijaya Sunitha Reddy as Independent cum Additional Director with effect from 27.01.2020. As per Proviso under Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended, "Any intermittent vacancy of an Independent Director shall be filled-up by the Board at the earliest but not later than immediate next Board meeting or three months from the date of such vacancy, whichever is later." There was a delay of more than 3 months in filling up the intermittent vacancy of an Independent Director. The Company explained that all appointment of Directors, including appointment of Independent Director, are made after receipt of written orders from the Govt. of India. The delay in appointment of Independent Auditor occurred due to delay in receipt of written orders from the Govt. of India

### 2. The Company has appointed/designated Mr. Harikumar Mahadevan as a regular Chief Financial Officer and Key Managerial Personnel with effect from 15<sup>th</sup> May 2019, as required under the provisions of Section 203 of the Companies Act, 2013.

I further Report that, having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, on test-check basis, the Company has complied with the following laws, rules and regulations as applicable to the Company:

- Department of Public Enterprises Guidelines
- Guidelines issued by Ministry of Heavy Industries & Public Enterprises
- Orders/ Regulations issued by the Government of India from time to time.

### 3. Discrepancy in the Authorized Capital

The Independent Director pointed out that in the

Balance Sheet as at 31.03.2019, the authorized capital was shown as Rs. 355 Crores as against Rs. 800 Crores.

**The Company clarified as follows: -**

“There is no reduction in Authorized Capital. Company re-classified Preference Shares as Financial Liability in order to comply with new Ind AS and Authorized Capital was shown as Rs. 355 Crores (excluding Preference Shares) in Annual Accounts as advised by the Consultant appointed for implementation of Ind AS. As per the discussion with Statutory Auditor, Authorized Capital will remain as Rs. 800 Crores only. As Statutory Auditor has already mentioned the same in Emphasis of Matter (Copy enclosed with copy of financials for the year 2019-20), Company will take necessary action during FY 2020-21 as observed”

I further report that:

- a. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Director and Women Director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- b. Adequate notice was given to all the directors to schedule the Board Meetings, agenda and

detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

- c. Decisions at the Board Meetings, as represented by the management, were taken unanimously.

I further report that as represented by the Company and relied upon by me there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with the following applicable other Laws and Rules, Regulations and Guidelines issued thereunder:

I further report that during the audit period, the following specific events/ actions having a major bearing on the Company's affairs took place: -

- (i) Public/Right/Preferential issue of shares / debentures /sweatequity, etc. - **NIL**
- (ii) Redemption / buy-back of securities - **NIL**
- (iii) Major decisions taken by the members in pursuance to section 180 of the Companies Act, 2013.
- (iv) Merger / amalgamation / reconstruction, etc.
- (v) Foreign technical collaborations - **NIL**

**S. VISWANATHAN**

**Company Secretary**

**C.P.NO. 5284**

**ACS NO: 5284**

**UDIN: A005284B000673963**

**Place: Bangalore**

**Date: 11.09.2020**

**This Report is to be read along with my letter of even date which is annexed as Annexure A and Forms an integral part of this report.**

## “Annexure A”

**To The Members**

**M/s. HMT Machine Tools Limited,  
(CIN: U0292KA1999GOI025572)  
HMT Bhavan, 59, Bellary Road, Bangalore – 560032**

My report of even date is to be read along with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records.  
The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards are the responsibility of the management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

**S. VISWANATHAN**

**Company Secretary**

**C.P.NO. 5284**

**ACS NO: 5284**

**UDIN: A005284B000673963**

**Place: Bangalore**

**Date: 11.09.2020**

### **ADDENDUM TO SECRETARIAL AUDIT REPORT FOR THE YEAR 2019-20 IN RESPECT OF OBSERVATIONS MADE BY SECRETARIAL AUDITOR ON THE SECRETARIAL AUDIT OF HMT MACHINE TOOLS LIMITED FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2020.**

| <b>Secretarial Auditors' Observation</b>                                                                                                                                                                                                   | <b>Company's Reply</b>                                                                                                                                                                                                                                                      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| There was a delay of more than 3 months in filing up the intermittent vacancy of an Independent director                                                                                                                                   | All appointment of Directors, including appointment of Independent Director, are made after receipt of written orders from the Govt. of India. The delay in appointment of Independent Director occurred due to delay in receipt of written orders from the Govt. of India. |
| The Company has appointed/designated Mr. Harikumar Mahadevan as a regular Chief Financial Officer and Key Managerial Personnel with effect from 15th May 2019, as required under the provisions of Section 203 of the Companies Act, 2013. | Head of Finance at Directorate is holding the responsibility of CFO of the Company. Shri Harikumar M. has been appointed as Chief Financial Officer of the Company w.e.f. 15th May 2019 in accordance with the provisions of section 203 of the Companies Act, 2013.        |
| The Independent Director pointed out that in the Balance Sheet as at 31.03.2019, the authorized capital was shown as Rs. 355 Crores as against Rs. 800 Crores.                                                                             | There is no reduction in Authorized Capital. Company re-classified Preference Shares as Financial Liability in order to comply with new Ind AS and Company will take necessary action during FY 2020-21 as observed"                                                        |

**Place: Bengaluru**

**Date: 28th September 2020**

**(S. Girish Kumar)**

**Managing Director**

## CERTIFICATE OF CORPORATE GOVERNANCE

Corporate identity Number: U02922KA1999GO1025572

To

**The Members of HMT Machine Tools Limited, Bangalore**

We have examined the compliance of conditions of corporate Governance by **HMT Machine Tools Limited** (The Company) for the year ended on **31<sup>st</sup> March, 2020**, as stipulated in guidance on corporate governance for Central Public Sector Enterprises.

The compliance conditions of Corporate Governance is the responsibility of the management, our examinations was limited to procedures and implementation thereof adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned Guidelines, with the exception of the following:-

- a) Delay in appointment of an Independent Director: Appointment of requisite number of Independent Directors; (Section 149(4) under Companies Act, 2013). The term of office of Shri. Raj Kumar as Independent Director ended on 20th June 2019, in his place the Govt of India and HMT Limited (Listed Holding company) appointed Smt. Gaddam Vijaya Sunitha Reddy as an independent cum Additional Director with effect from 27th Jan 2020. As per Proviso under Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended "any intermittent vacancy of an Independent Director shall be filled-up by the Board at the earliest but not later than immediate next Board meeting or three months from the date of such vacancy whichever, is later". There was a delay of more than 3 months in filling up the intermittent Vacancy of an Independent Director.
- b) The Company has appointed AGM Finance designated as Chief Financial Officer as per Section 203 of the Companies Act, 2013, as key managerial personnel with effect from 15th May 2019.
- c) Constitution of Nomination and Remuneration Committee;
- d) Appointment of requisite number of Independent Directors for the Audit committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management as conducted the affairs of the company.

For **M/s V R Murali & Co.,**

Chartered Accountants

FRN : 002178S

**(V.Ranganatha Murali)**

Proprietor M.No. 027051

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## DECLARATION BY THE MANAGING DIRECTOR

Sub: Code of Conduct - Declaration under Clause 3.4.2

This is to certify that:

In pursuance of the provisions of Clause 3.4.2 of Corporate Governance Guidelines of DPE, a Code of Conduct for the Board Members and Senior Management Personnel is in place.

The said Code of Conduct has been uploaded on the website of the Company and has also been circulated to the Board Members and the Senior Management Personnel of the Company; and,

All Board members, and the Senior Management Personnel have affirmed compliance of the said Code of Conduct, for the year ended March 31, 2020.

Place: Bengaluru

Date : 28<sup>th</sup> September 2020

Sd/-

**(S. Girish Kumar)**

**Managing Director**

## REVISED INDEPENDENT AUDITOR'S REPORT

(ISSUED CONSEQUENT TO PROVISIONAL COMMENTS BY DEPUTY DIRECTOR CAG, VIDE. NO.DGCA/A/C/Desk/2019-20/HMT(MT)/1.31/111 DATED 10.09.2020 and it supersedes our Independent Auditor's Report Dated 16th July 2020)

**THE MEMBERS OF  
HMT MACHINE TOOLS LIMITED,  
BANGALORE.**

**(CIN: U02922KA1999GOI025572)**

### REPORT ON THE STANDALONE FINANCIAL STATEMENTS

#### Qualified Opinion

We have audited the standalone financial statements of **HMT MACHINE TOOLS LIMITED, BANGALORE**, ("the Company"), which comprise the Balance Sheet as at 31st March 2020, and the statement of Profit and Loss, Statement of Changes in Equity and statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

Incorporated in these standalone financial statements are the consolidated financial statements of HMT Marketing Division, Bangalore audited by us and other six units of HMT Machine Tools located at HMT MBX Bangalore Complex; Ajmer, Pinjore, Hyderabad, Kalamassery and Praga Tools Unit audited by the other auditors. However, no auditor is appointed for HMT MTL Directorate and hence not audited.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters stated in basis for the Qualified Opinion the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company

as at March 31, 2020, and its loss for the year ended on that date.

#### Basis for Qualified Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the standalone Ind AS financial statements.

Certain issues qualified in the previous year(s) audit report have not been satisfactorily addressed or resolved during the financial year, hence, the following issues are reported again.

1. No provision is made for the liability, if any, towards the interest payable to vendors under Micro, Small and Medium Enterprises Development Act 2006. The impact on non-provision of such interest on the financial statements/ results cannot be quantified due to lack of the required information.
2. The Company has not complied from the requirement of Schedule-II of Companies Act, 2013 of depreciating the assets over its useful life and such depreciable amount shall be the cost of assets less its residual value. The company follows the policy of depreciating the Plant and Equipment costing less than Rs.10,000/- to Rs.1/- in the year of Purchase. Due to unavailability of required information impact could not be quantified.

3. Investment Properties: The Company has not complied with para 76 of Ind AS 40, since adequate disclosure with regard to fair values of the investment property, depreciation method and criteria for distinction between Investment Properties and PPE has not been disclosed.

## EMPHASIS OF MATTERS

Without qualifying our report, attention is drawn to the following matters in the Notes to the financial statements: -

- a) Non-Confirmation: Note 7 and 17 to the financial statements which, indicate Trade Receivable and Trade Payable are subject to confirmation from the parties. In the absence of confirmation from parties towards Trade payables, Trade receivables, Advances received, Advances paid, Deposits (including Security Deposit) the process of reconciliation of party balances is incomplete. Due to non-availability of confirmation of balances from the parties, we are unable to express an opinion on the correctness of the balances and their impact on the financial statements.
- b) Going Concern: It is observed from the financial statements that all units with the exception of Kalamassery Unit, is incurring loss year after year and the accumulated losses which is transferred to Head Office. The unit's current liabilities exceed current Assets as at balance sheet date. However, the financial statements of the Units and its standalone financial statement of the Company have been prepared on "Going Concern Basis"
- c) Inventory Valuation: Reference is invited to Note No.6 of the Notes forming part of financial statements which describes that the inventories are valued at Cost or Net Realisable Value whichever is lower, and the cost is determined through Weighted Average Cost Method. However, the policy of determining the cost do not comply with Ind -AS 2 "Inventories" where it is stated that "The cost of inventories of items that are not ordinarily interchangeable and goods or services provided and segregated for specific projects shall be assigned by using Specific Identification of their individual costs". As the division is majorly into order-based supplies the inventory should be valued at Specific Identification costs instead of weighted average costs. Further the inventory stated in the Ind AS financial statements as at March 31, 2020 have been valued at weighted average costs.
- d) Net Realisable Value: It is observed that "Net Realisable Value" of the inventories, has not been ascertained by the management, due to which the inventories are valued at weighted average cost. Due to non- availability of the net realisable value, we are unable to express our opinion on the Impact of such non-determination of the net realisable value compliance on the loss and value of assets could not be ascertained.
- e) Authorised Capital: As per the MCA records the authorised capital is Rs.800.00 crores, comprising of Equity Shares Capital of Rs.355.00 crores and Preference share capital of Rs.445.00 crores. However, the company has continued to show in its books and financial statements authorised capital as Rs.355.00 crores only related to Equity Share capital. Company to take suitable action, if the authorised capital is reduced and file required returns with MCA.
- f) Non-provision for Preference Dividend: It is observed that 3.5 % Preference Share Capital issued during 2007 redeemable after 3 years amounting to Rs.443.00 crores has shown under "Other Financial liabilities". The company has not made any provision for the payment of accumulated dividends on the 3.5 % preference share capital.
- g) Escrow Account: As informed to us redemption of Preference shares capital will be out of sale proceeds of the identified surplus assets. It is observed that MBX Unit has realised Rs.18.50 crores towards the sale of a portion of the land to BBMP, pending execution of legal documents for transfer of property. We are unable to comments, whether the sale of land to BBMP is a part of the

identified surplus assets and if so, the fund should have been deposited in an escrow account for redemption of Preference shares.

### **MBX, Bangalore:**

- a) Land Transfer: As observed a portion of the land used for "Roads" measuring approx. 4.25 acres has been acquired by Bruhat Bangalore Mahanagara Palike (BBMP). As at 31 March 2020 BBMP has paid adhoc land compensation deposit of Rs.18.508 Crores, pending final joint measurement and issue of correct dimension report. Since the land is not transferred to BBMP following the legal procedure, the said land measuring 4.25 acres is continued to be shown as fixed assets even though BBMP has taken over the possession of the said Land (formed Road).
- b) Land: As informed to us, the Company owns total land of 330.28 acres in Bangalore Complex, which were partly Gifted and partly acquired over the years. The said land is used for factory buildings, offices, residential quarters, hospital, cinema, stadium, commercial complex, internal roads etc. In addition, there exists vast area of open spaces. As, the title deeds of the land, physical verification, survey and demarcation of land is not provided, we are unable to comment on the ownership, accuracy of the area of land usage and encroachment if any.

### **Kalamassery Unit:**

- a) Land: It is observed that Unit has surrendered 6 Acre 89 Cents to Ancillary Industrial Estate and further 1 Acre 58 Cents has been surrendered to Kerala Electricity Board during the period of 1971-1974. Due to non-availability of records, we are unable to review the compliance to the legal process of such transfer of land and its accounting in the books of accounts.
- b) Land: Unit has paid Land tax for a portion of the land situated at Thandaper No.3707 in the name of HMT Limited, Bangalore. Possession certificate issued by the village office in the year

2000 indicates an area of 193 Hectares, 62 Acres 70 Sq.mtr in the name of HMT Limited, Bangalore and not in the name of HMT Machine Tools Limited. As informed to us, the management has applied for possession certificate, location and sketch on 15th June 2015, which is pending due to property disputes. Hence, we are unable to express our opinion on whether the company has absolute title to the Land included in the books of accounts.

- c) Land: Appeal No.386/2016 filed before Honourable Supreme Court of India with respect to surrender of 251 Acres and 40 Cents of Land held in the excess of ceiling area as per the Kerala Land Reforms Act, 1963 is pending for final decision. The decision of Supreme Court may have significant impact on the financial position of the Unit.

### **Pinjore:**

- a) Land: The Property of estate is in the name of HMT Tractor Division, Pinjore and as per the approval of the competent authority, the same is managed by MTP. The income and expenditure of managing estate is received in the books of MTP.

### **Praga Tools:**

- a) Title deeds of immovable properties were not produced to Unit Auditors and hence we are unable to comment on the ownership of the properties.

### **Hyderabad:**

- a) **Prior Period Item:** On our verification of the books of accounts maintained it was observed that several items of expenses in the nature of prior period has been charged to the Statement of Profit/loss for the year ended March 31, 2020 which belongs to previous accounting periods. According to Ind AS 8 any expense which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods shall be corrected retrospectively and not accounted as

a charge in the current year. This results in non-compliance to Companies (Indian Accounting Standards) Rules, 2015 and the impact of such non-compliance on current year loss could not be ascertained.

- b) Taxes:** Reference is invited to Note No 4 of the Notes forming part of financial statements where other assets include the brought forward input credits of erstwhile Indirect taxes to the extent of Rs.28.80 Lacs. On our verification it was observed that TRANS-1 application filed with the Goods and Service Tax Network do not include such brought forward balance and in the absence of documentary evidence of such receivable in our opinion the input credit should not be recognized as asset. The impact of such recognition results in overstatement of assets by Rs.28.80 lacs and understatement of loss for the year by similar amount in the books of the division.

### **Covid-19 Impact Assessment:**

As per the ICAI Advisory on Impact of Coronavirus on Financial Reporting and the Auditors Consideration, we have discussed with the management and their risk assessment and mitigation measures. Considering their assessment, we report that: -

- a) Company complied with the major risks mitigation plan - decisions made by State and the Central Government or public health bodies owing to the COVID-19 pandemic, posing restrictions on physical movement of employees thereby impacting business operation during the last fortnight of the financial year under audit.
- b) Company's units located across India were under lockdown during the last fortnight of the year ending 31st Mar 2020, consequently supplies, production and delivery of goods, payment to suppliers, realisation from trade receivables etc were impacted resulting in lower turnover by 19 % as compared to previous year and net loss for the year has increased by over 51% over the previous year.
- c) Though management has taken certain employee safety and other measures including creation of awareness, sanitation, Social distancing etc., the potential impact assessment report on the Covid pandemic on the business operations, has not provided including the risk assessment and mitigation measure undertaken by the company due to Covid 19 pandemic nor Company has made any adjustment in its financial for the financial year ending 31st March 2020 on the impact of the Covid 19.
- d) Attention is drawn to annexure D of our audit report for the response to the ICAI advisory.

Our opinion is not modified in respect of these matters.

### **Responsibility of Management for Standalone Financial Statements**

The Company's Management is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, (changes in equity) 26 and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable,

matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The management is also responsible for overseeing the company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### **Other Matter**

#### **1. Delay in filing Statutory Returns:**

It is observed that few Units are not filing the statutory returns on or before the due dates.

#### **2. Deferred Tax:**

Deferred tax is not calculated.

#### **3. Non- Reconciliation of TDS (26 AS) & GST Input Tax Credit (GSTR 2A)**

Company has not furnished periodical reconciliation of TDS (Form 26 AS) and GST both input and output tax for the financial year 2019-20.

### **Marketing MTMD**

#### **4. Short Claim of GST – Input Tax Credit:**

It has been observed that Unit has short claimed of GST Input Tax Credit of Rs.5,17,317 for the Financial Year 2019-20 as under:

Amount in Rs.

| <b>Unit</b>  | <b>GST Credit as per GSTR-2A</b> | <b>GST Input Tax Credit Claimed</b> | <b>Short Claimed</b> |
|--------------|----------------------------------|-------------------------------------|----------------------|
| Bangalore    | 7,64,031                         | 6,24,565                            | 1,39,466             |
| Delhi        | 2,48,564                         | 1,82,961                            | 65,604               |
| Chennai      | 2,22,331                         | 10,8000                             | 2,11,531             |
| Kolkata      | 1,30,483                         | 29,767                              | 1,00,716             |
| <b>Total</b> | <b>13,65,410</b>                 | <b>8,48,093</b>                     | <b>5,17,317</b>      |

As the details of GST Input Tax Credit in respect of Mumbai Regional Office is not furnished to us, we are unable to comment and quantify short claim of GST input tax credit, if any.

#### **5. Bangalore Complex (MBX) Unit:**

- a) The Unit has capitalized the execution of collaboration project with NUM, AG, a Swiss Company for ₹11,76,77,241/- up to the extent of provision made regarding the said technology. However, as informed to us in the preceding financial year regarding the technical collaboration project with NUM, AG, the Unit was in the view to rescind the agreement with the said Company and was communicating for the closure of the same. During the discussion with the management we had sought clarification and management has furnished the decision of the Board Meeting No.92 held on 14th Feb 2020 to capitalise the technology development cost regarding collaboration with NUM, AG.
- b) The Unit has provided impairment test reports of the following capitalize products during the year. The in-house impairment test reports as provided by the management, do not comply with the impairment test reporting requirements of Ind AS-36, in the following cases as both external and internal indicators were present due to technology development.
  - i) The Purchase of hardware and implementation of SAP in the year 2010 has been capitalized by the unit which includes

₹229.35 lakh towards SAP software and ₹128.89 lakh paid against the SAP hardware. Since SAP was purchased in 2010, the Unit has conducted in house impairment test during the year for the intangible assets and Data & Computer Processors capitalized pertaining to the software and hardware of the SAP system.

- ii) In case of a technical collaboration agreement with NUM AG of Switzerland for developing numerical control system for machine tools during 2014, the Company had paid one installment of Euro 400000 (i.e. ₹3,30,87,241) & seven installments amounting to Euro 1000000 ( ₹8,45,90,001) is still due. In the event of presence of external indicator such as technology development, in house impairment test have been conducted by the Unit.

## 6. Auditors Division of Responsibility

We have based our opinion on the consolidated financial information of the entity as a whole relying upon the statements and reports of the other unit auditors, for the units not audited by us. We report that we have audited Marketing Division, Bangalore of HMT Machine Tools Limited, where as other six units of HMT Machine Tools Limited, located at HMT MBX Bangalore Complex; Ajmer, Pinjore, Hyderabad, Kalamassery and Praga Tools unit are audited by the other auditors appointed by the CAG and Company. There exists clearly the division of responsibility for the financial information of the unit of the entity audited by other auditors.

Our opinion is not modified in respect of these matters.

## Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the **Annexure A**, a statement on the matters specified in paragraphs 3

and 4 of the Order, to the extent applicable.

1. As required by Section 143(3) of the Act, based on our audit we report that:

We have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

- i. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us.
- ii. The reports on the account of the branches audited under section 143(8) of the Act by branch auditors except for "HMT Machine Tools Ltd, Directorate" have been sent to us and have been properly dealt with by us in preparing this report.
- iii. The Balance Sheet, the Statement of Profit and Loss including other comprehensive income and Cash Flow Statement dealt with by this report are in agreement with the Books of account and returns received from the Units not visited by us.
- iv. In our opinion, the aforesaid standalone financial statements dealt with by this report comply with the Indian Accounting Standards specified under section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015 except:
  - a) Non-Compliance of Ind AS 2 "Valuation of Inventories", the inventories are valued at Cost or Net Realisable Value whichever is lower and the cost is determined through Weighted Average Cost Method however the policy of determining the cost do not comply with Ind AS 2 "Inventories" where it is stated that "The cost of inventories of items that are not ordinarily interchangeable

and goods or services provided and segregated for specific projects shall be assigned by using Specific Identification of their individual costs”.

- b) **Property Plant and Equipment:** In terms of para 51 of Ind AS 16, the residual life of the assets shall be reviewed at the end of each financial year and the change shall be accounted for as a change in accounting estimate in accordance with Ind AS 8. Accordingly, further useful life and future economic benefits from Company's PPE should have been re casted considering the fact that most of PPE which were in active use. However, the Company has carried such PPE whose life of the asset has expired, in the books at Re.1. The impact of such noncompliance on the loss and the accumulated depreciation could not be ascertained.
- c) **Investment Properties:** The Company has not complied with para 76 of Ind AS 40, since adequate disclosure with regard to fair values of the investment property, depreciation method and criteria for distinction between Investment Properties and PPE has not been disclosed.
- v. Being a Government Company, Provision of Section 164 (2) of the Act is not applicable vide notification no. 463 (E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, Government of India.
- vi. On the basis of the written representations

received from the directors as on 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.

- vii. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure-B.
- viii. In our opinion and to the best of our information and according to the explanations given to us, we report as under with respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014.
  - (a) The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements.
  - (b) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses if any, on long term contracts.
  - (c) There were no amounts which required to be transferred by the Company to the Investor Education and Protection Fund.
- ix. As required in accordance with the Directions issued under section 143(5) of the Companies Act, 2013, a report on additional matters is annexed to in Annexure “C” to this report.

For **V.R. Murali & Co.,**  
Chartered Accountants  
FRN 002178S

**V. Ranganatha Murali**  
Proprietor  
Membership No.027051

Place: Bengaluru  
Date: 18<sup>th</sup> Sept 2020

## ANNEXURE-A TO THE INDEPENDENT AUDITORS' REPORT:

### REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE TO THE STATUTORY AUDITORS OF HMT MACHINE TOOLS LIMITED ON THE ACCOUNTS OF THE COMPANY FOR THE YEAR ENDED 31ST MARCH, 2020

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:

- 1) (a) In our opinion, the Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets, with the exception of Hyderabad Unit.
- (b) As explained to us, the management has a policy of physically verifying the fixed assets once in three years. With the exception of Pinjore none of the Units have carried out physical verification of fixed assets during the year 2019-20. As such we are unable to comment on the physical existence of the fixed assets as compared to data recorded in books of accounts.
- (c) Title Deeds of the immovable properties of the various units of the Company is in the name of Holding Company, M/s HMT Limited except for Praga Tools Unit and Ajmer Unit. The Land allocated in 1963 in the name of erstwhile Praga Tools Limited (presently merged in HMT Machine Tools Limited) is not transferred in favour of HMT Machine Tools Ltd. / HMT Limited.  
In the case of Ajmer Unit, pending finalization of rates by the Government of Rajasthan, lease deed for the immovable property in favor of the Company is yet to be executed.
- 2) (a) In our opinion and according to the information and explanation given to us, the inventory has been physically verified by the management during the year, however, evidence to this effect has not been provided to us for our review.
- (b) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material, where such physical verification is carried out.
- 3) According to the information and explanations given to us the Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 189 of the Companies Act, 2013.
- 4) According to the information and explanations given to us, the Company has not entered into any transactions attracting the provisions of section 185 and 186 of the Companies Act, 2013 In respect of loans, investments, guarantees, and security.
- 5) The Company has not accepted any deposits from the public. Hence Provision of section 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed there under are not applicable.
- 6) Branch Auditors have reviewed the books of accounts relating to material, labour, and other items of cost maintained by the Branch pursuant to the rules made by the Central Government for the maintenance of cost records under section 148 of the Companies Act, 2013 and we are of the opinion that prima facie the prescribed cost records have been made and maintained.
- 7) (a) As observed by us, the undisputed statutory dues including provident fund, employees state insurance, Goods and Service Tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues have not been regularly deposited by the Branch with the appropriate authorities within the due date. According to the information and explanation given to us, the following are the arrears of statutory dues outstanding for a period of more than six months from the date they became payable, as at the end of the financial year:

| <b>Nature of Dues</b>       | <b>Total Due<br/>(₹ in Lakhs)</b> | <b>More than six months<br/>(₹ in Lakhs)</b> |
|-----------------------------|-----------------------------------|----------------------------------------------|
| Provident Fund, VPF and SPF | 10613.69                          | 9533.74                                      |
| Pension Contribution        | 526.76                            | 485.82                                       |
| Professional Tax            | 3.63                              | 0                                            |
| Gratuity                    | 5851.29                           | 1182.15                                      |
| Property Tax                | 557.07                            | 557.07                                       |
| Excise Duty                 | 361.53                            | 361.53                                       |
| Goods and Service Tax       | 990.50                            | 174.06                                       |
| TDS                         | 59.23                             | 12.54                                        |

(b) According to the information and explanation given to us, the following are the statutory dues which are **disputed** by the Company and not been deposited with the said statutory authorities:

| <b>Name of the Authority</b> | <b>Nature of Dues</b>   | <b>Amount<br/>(₹ in Lakhs)</b> | <b>Period to which the amount relates</b> | <b>Forum where dispute is pending</b>     | <b>Remarks</b>                                                       |
|------------------------------|-------------------------|--------------------------------|-------------------------------------------|-------------------------------------------|----------------------------------------------------------------------|
| Central Excise Act, 1944     | Excise Duty             | 32.31                          | 2011-12                                   | CESTAT, Hyderabad                         | Hyderabad Division                                                   |
| Central Sales Tax Act, 1956  | Central Sales Tax       | 90.11                          | 2007-08                                   | Hon'ble High Court, Kerala                | Kalamassery Division                                                 |
| Gratuity                     | Gratuity & Interest     | 1461.01                        | Various Years till 2019-20                | Labour Court                              | Bangalore Complex Division                                           |
| Earned Leave Encashment      | Earned Leave Encashment | 62.93                          | Various Years till 2019-20                | Labour Court                              | Bangalore Complex Division                                           |
| Settlement Allowance         | Settlement Allowance    | 4.23                           | 2010-16                                   | Labour Court                              | Bangalore Complex Division                                           |
| Employees PF                 | Interest & Damages      | 4400.00                        | Various Years till 2019-20                | As per PF Commissioner's attachment order | Bangalore Complex Division                                           |
| Salary Arrears               | 1992 Arrears            | 9.93                           | Not furnished                             | Not Furnished                             | Bangalore Complex Division                                           |
| Salary Arrears               | 1997 Arrears            | 1129.43                        | Not furnished                             | Not Furnished                             | Bangalore Complex Division. 118.00 L deposited before contempt court |
| Not Furnished                | Not Furnished           | 119.00                         | Not Furnished                             | Civil Court                               | Walchand & BMTC, Bangalore Complex Division                          |
| BBMP                         | Property Tax & Interest | 3751.00                        | Various Years from 1999-00 to 2015-16     | Hon'ble High Court of Karnataka           | Bangalore Complex Division                                           |
| P. Shankar                   | Ex-employee             | 158.00                         |                                           | Hon'ble High Court of Karnataka           | Bangalore Complex Division                                           |
| Shri Shakti                  | Supply of Material      | 45.42                          |                                           | Criminal Court                            | Bangalore Complex Division                                           |
| ESI Act, 1948                | ESI Contribution        | 2.58                           | 1996-2003                                 | Not Furnished                             | Praga Division                                                       |

- 8) According to the information and explanation given to us and the records examined by us, the Company has not defaulted in repayment of dues to any banks or financial institutions. However, it has been observed by and informed to us that the Company defaulted payment of loan of Rs.63,175.62 lakhs including Interest to the Government of India as on 31.03.2020.
- 9) According to the information and explanations given to us, the Company during the year has not raised any money from public by way of initial public offer, further public offer. The Company has not availed any term loan from Banks or financial institutions during the year.
- 10) During the course of our audit carried out in accordance with the generally accepted auditing practices in India as applicable to the Company and according to the information and explanation given to us, we have neither noticed any instance of fraud on or by the Company or reported during the year, nor have been informed of such cases by the Management .
- 11) The clause relating to payment of managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V to the Companies Act, 2013 is not applicable to the Company, being a Government Company vide notification no. G.S.R. 463 [E] dated 5<sup>th</sup> June, 2015.
- 12) This is not a branch of Nidhi Company and hence this clause is not applicable to this Branch.
- 13) According to the information and explanations given to us and based on our examination of the records of the Company, all transactions with the related parties like fellow subsidiaries and parent company are in compliance with sections 177 and 188 of the Companies Act, 2013, where applicable and no separate disclosure of such transactions are required to be made under Indian Accounting standard-24 "Related Party Disclosures" in respect of Government controlled Companies.
- 14) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence clause (xiv) of the Order is not commented upon.
- 15) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with them during the year and hence clause (xiv) of the Order is not commented upon.
- 16) The Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 in view of the nature of business carried on.

For **V.R. Murali & Co**  
Chartered Accountants  
FRN 002178S

Place: Bengaluru  
Date: 18<sup>th</sup> Sept 2020

**V. Ranganatha Murali**  
Proprietor  
Membership No.027051

## ANNEXURE - B TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF HMT MACHINE TOOLS LIMITED. [HERE IN AFTER "THE COMPANY"]

### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **HMT MACHINE TOOLS LIMITED ("The Company")** as of March 31, 2020 in conjunction with other (Unit) Auditors' report on financial statements of the Unit for the year ended on that date and our opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting in the case of the Standalone financial statements of the Company, in so far, as it relates to other divisions/units will be based solely on the reports of the Auditors of such divisions/units as of that date.

### Management's Responsibility for Internal Financial Controls

The Management of the Company is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal

financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company.
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation

of standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the standalone financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, considering the branch auditor's report, Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, and however, it can be further strengthened based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

1. According to the information and explanations given to us and based on our audit, the following material weakness has been identified as at March 31, 2020:
  - i. Books of accounts are not being maintained in all completeness on day to day basis as evidenced from accounting entries being

posted upon conclusion of the transactions to an intermediary heads of accounts, delay in recording of sales and purchases in the books of accounts viz a viz the date on which transactions were actually executed. (As reported by the Hyderabad unit Auditor)

- ii. Delay in recording of inventory movements in the inventory records and its reporting to Accounts department resulting in inappropriate updating of financial books. (As reported by the Hyderabad unit Auditor)
  - iii. Non-Reconciliation and non-confirmation of the trade receivables, trade payables balances, deposits and advances.
  - iv. Delay in payment and filing of statutory dues and returns.
  - v. Non-Reconciliation of GST Input with GSTR-2A and Turnover as per GST Returns with the Turnover as reported in the Audited Statements of Account.
  - vi. Non-reconciliation of TDS Form 26 AS at periodical intervals.
2. A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Institute's annual financial statements will not be prevented or detected on a timely basis.
  3. We have considered the material weakness/es identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2020 standalone financial statements of the company, and except for the effects / possible effects of the material weakness/es described above on the achievements of the objectives of the control criteria, the company's internal financial controls over financial reporting were operating effectively as of March 31, 2020 and these material weakness/es does not / do not affect our opinion on the financial statements.

For **V.R. Murali & Co.,**  
Chartered Accountants  
FRN 002178S

**V. Ranganatha Murali**  
Proprietor  
Membership No.027051

Place: Bengaluru  
Date: 18<sup>th</sup> Sept 2020

## “ANNEXURE - C” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 3 under ‘Report on Other Legal and Regulatory Requirements’ section of our report to the Statutory Auditors of M/s HMT Machine Tools Limited of even date)

As Directions issued under section 143(5) of the Companies Act, 2013, a report on additional matters to the report

| S.No. | Directions                                                                                                                                                                                                                                                                              | Reponses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1     | Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated | <p>a) In our opinion Company does not have system in place to process all the accounting transactions through IT systems.</p> <p>b) However, the company has adopted standalone PC / Local Area Network at each location / Units for processing of accounting transactions using tally / other software.</p> <p>c) The main impact of using standalone systems at each location / Units for accounting has caused delay in consolidation of accounts of all units and its reconciliation.</p> <p>d) Only Trial Balance of the Units are consolidated annually and not transactions.</p> <p>e) It is ideal that company adopts a web based or cloud based (with single database) accounting system for processing, tracking and analyzing the accounts and financial transactions.</p> <p>f) Single database helps in speedy accounting, consolidation and reconciliation especially the trade receivable and facilitates in timely collection / recovery of dues debtors, reconciliation of TDS, GST Input credit etc.</p> |
| 2     | Whether there is any restructuring of an existing loan or cases of waiver/ write off of debts /loans/interest etc. made by a lender to the Company due to the Company’s inability to repay the loan? If yes, the financial impact may be stated                                         | <p>a) There have been old outstanding GOI loans which has not been repaid or being repaid on an ongoing basis for past several years.</p> <p>b) We have not been provided with details of any write off/ waiver etc. and accordingly unable to comment on the financial impact, if any.</p> <p>c) We understand that proposal have been made to Government for waiver of interest.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 3     | Whether funds received/receivable for specific schemes from central state agencies were properly accounted for/ utilized as per its term and conditions? List the cases of deviation.                                                                                                   | <p>a) The Company has availed Working Capital Loan and Bridge Loan from the Government of India and has applied the same for the purpose for which it was availed.</p> <p>b) The Company defaulted payment of loan of Rs.63,175.62 lakhs including Interest to the Government of India as on 31.03.2020 has been grouped and presented under Current liabilities – Other Financial liabilities, in the Balance Sheet.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

|   |                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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| 4 | Examine and comment on the accounting of Preference Shares in the books of the Company. | <p>As mentioned in the emphasis of matter section Sl.No. e) and f)</p> <p>i) As per the MCA records the authorised capital is Rs.800.00 crores, comprising of Equity Shares Capital of Rs.355.00 crores and Preference share capital of Rs.445.00 crores. However, the company has continued to show in its books and financial statements authorised capital as Rs.355.00 crores only related to Equity Share capital.</p> <p>ii) Non-provision for Preference Dividend: It is observed that 4,43,00,000 3.5 % Preference Share Capital issued during 2007 redeemable after 3 years amounting to Rs.443.00 crores has shown under "Other Financial liabilities".</p> <p>iii) The company has not made any provision for the payment of accumulated dividends on the 3.5 % preference share capital.</p> <p>iv) HMT Machine tools Ltd, Bangalore is a BIFR referred company and have sought for exemption from payment of stamp duty from the state Government, pending receipt of order from the state Government, the share Certificate for 3.5% Preference Share are not yet issued to Holding Company (HMT Limited)</p> |
| 5 | Examine and comment upon the interest calculation on Government of India loans          | <p>The company has borrowed loan from Government of India over the years at varying rate of interest. The company has defaulted in repaying of principal and interest. The company has calculated the interest on Government loan on yearly basis.</p> <p>Company has an excel based spreadsheet for calculation of interest for each loan, which is updated every year.</p> <p>Company has provided for interest "at the Penal rate of interest" since, it has defaulted in servicing the loan. The interest amount is apportioned to its various units. We have test checked the interest calculation on Government loan and it is satisfactory.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

For **V.R. Murali & Co.,**  
Chartered Accountants  
FRN 002178S

**V. Ranganatha Murali**  
Proprietor  
Membership No.027051

Place: Bangalore  
Date: 18<sup>th</sup> Sept 2020

## “ANNEXURE - D” TO THE INDEPENDENT AUDITORS’ REPORT

### Emphasis of Matter: Covid-19 Impact Assessment: of HMT MTL Ltd., FY 2019-20

In line with the ICAI Accounting and Auditing Advisory on Impact of Coronavirus on Financial Reporting and the Auditors Consideration:

#### Background:

1. On March 11, 2020, as COVID-19 spread rapidly, both in terms of number of cases and the affected countries, the World Health Organization (“WHO”) characterized COVID-19 as a pandemic. The COVID-19 pandemic has disrupted demand and supply chains across industries, negatively impacting the business of companies and driving the global economy towards a recession.
2. Government of India and several countries have imposed stringent lockdown in a bid to contain the spread of the disease. This resulted in countries announcing lockdowns and quarantine measures that sharply stalled economic activity. The Government of India initiated a nation-wide lockdown from March 25, 2020 for three weeks which was extended to May 31, 2020 in three phases. Several countries took unprecedented fiscal and monetary actions to help alleviate the impact of the crisis
3. The World Bank predicts that the global Gross Domestic Product (“GDP”) will decline by 5.2% in the year 2020. The economic fallout of and the subsequent recovery from COVID-19 will depend on multiple factors, such as recovery driven by containment efforts, supply chain disruptions, impact of lockdowns etc. The continued spread of COVID-19 could adversely affect production, workforces, customers, economies and financial markets globally, potentially leading to further economic downturn.

#### Management assessment:

1. Company complied with the major risks mitigation plan - decisions made by State and the Central Government or public health bodies owing to the COVID-19 pandemic, posing restrictions on physical movement of employees thereby impacting business operation during the last fortnight of the financial year under audit.
2. Company Management has taken employee safety, awareness, sanitisation, social distancing and other measures to mitigate the risk of Covid 19.
3. Due to Covid 19, Company’s unit located across India was under lockdown during the last fortnight of the year ending 31st Mar 2020, consequently supplies, production and delivery of goods, payment to suppliers, realisation from trade receivables etc were impacted resulting in lower turnover and increased losses for the year.
4. The company’s assessment is that the slowdown is temporary since their main product manufacture of machinery which is chiefly supplied to defence, railways and other PSU’s or Government department. Hence, the management feel there will not be significant impact due to Covid 19.
5. The potential impact on the company’s results will depend to a large extent on future developments regarding COVID-19 that cannot be accurately predicted at this time, including the duration and severity of the pandemic, the extent and effectiveness of containment actions and the impact of these and other factors on our employees, suppliers, customers, partners, vendors and service providers.

| Sl. No.  | ICAI Advisory                                                                                                                                                                                                                                                                                                    | Auditors Response                                                                                                                                                                                                                                                                                                                                                                                             |
|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1</b> | <b>Valuation of Inventory</b>                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                               |
|          | Whether the Realisable Value of the stock has been reduced due to COVID impact? What is the Market value of the stock as on 31st March 2020                                                                                                                                                                      | <p>a) Non-Compliance of Ind AS 2 “Valuation of Inventories”. Company has adopted valuation of inventory based on weighted average method and market or realisable value is not determined.</p> <p>b) Refer to This has been brought out in Emphasis of Matter section of our audit report vide item no.c and d.</p>                                                                                           |
| a        | Fixed overheads to be allocated based on Normal capacity, As the actual production will be affected due to corona, Excessive Fixed Overheads should be charged off to P&L. Impact of such charging off should be assessed and if it is significant it should be disclosed in the notes.                          | <p>a) Company has reported loss of production of 9 days during Mar 2020 (FY 2019-2020), due to Covid 19 lockdown.</p> <p>b) Since the fixed overhead allocated is not significant for the FY 2019-20, there is no major impact on P&amp;L.</p> <p>c) However, company will have significant impact on charging off excess overheads to P&amp;L for the current financial year 2020-2021.</p>                  |
|          | As we are not able to verify the physical inventory as on 31st March, we need to take physical count on a date after 31st March 2020 but before the closure of audit. Hence, we will take the inventory on a convenient date and you should reconcile the inventory as per stock register as on 31st March 2020. | a) As reported in Annexure A 2 (a), of our audit report, the Company has not provided the sufficient and appropriate audit evidence relating to physical verification of inventory whether carried out as at the year-end viz. 31st March 2020 or at subsequent date with due reconciliation of inventory.                                                                                                    |
|          | Valuation of perishable and shorter shelf life items to be reassessed. Whether the items of this nature can be sold after 31st March considering COVID-19 restrictions.                                                                                                                                          | <p>a) Company does not have any perishable and shorter shelf items.</p> <p>b) However, there is risk of the saleability of inventory and market need for any automation and improvement in the product design with additional feature due to Covid 19.</p>                                                                                                                                                    |
| <b>2</b> | <b>Impairment Testing</b>                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                               |
| a        | Whether due to the Covid the company's manufacturing is seriously impacted and if so whether it is seriously effecting the fair value of the Fixed assets being less than the book value of the assets determined based on the Estimated Recoverable value of those Fixed Assets                                 | <p>a) Management feels the impact on the manufacture / production due to Covid 19, is not significant for impairment of assets.</p> <p>b) As mentioned in the qualified opinion, the Company has not complied from the requirement of Schedule-II of Companies Act, 2013 of depreciating the assets over its useful life and such depreciable amount shall be the cost of assets less its residual value.</p> |

| Sl. No.  | ICAI Advisory                                                                                                                                            | Auditors Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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|          |                                                                                                                                                          | <p>c) As reported in Annexure A 1 (b) of our audit with the exception of Pinjore none of the Units have carried out physical verification of fixed assets during the year 2019-20.</p> <p>d) As such we are unable to comment on the physical existence of the fixed assets as compared to data recorded in books of accounts.</p> <p>e) The company's production has been affected due to Covid 19, since all the units were closed during the lock down period.</p> <p>f) There, is an inherent risk of the usability of the existing assets and market need for improvement in the product design with additional feature of automation.</p> <p>g) Company to review and assess the life of the assets, its usability and realisable value to comply with the accounting standards.</p> |
| b        | If the impact on manufacturing activities is temporary or permanent then need to discuss with the company management whether it demands impairment test. | <p>a) Due to economic slowdown - Covid 19 events, could cause existing and new customers / companies to pause and reprioritize their spending on technology and investment in the new venture requiring HMT products / machines. This may be temporary phenomenon.</p> <p>b) The Government has come out with many policy level changes for economic revival including additional investment in infrastructure, athmanirbhara and local and vocal, make in India schemes.</p> <p>c) However, its impact can be seen in the mid-terms 2-3 years. Hence, Company to revisit and assess estimated life and its usefulness of the fixed assets and carry out impairment test considering the estimated recoverable value of those Fixed Assets.</p>                                            |
| <b>3</b> | <b>Accounting for Investment</b>                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| A        | Whether there is any requirements of making provisions for decline in the value of investments, which is other than temporary?                           | No provision required, as the Company has not invested in any money market / investment requiring provisions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| B        | Current Investments: Impact of COVID-19 in determining the fair value.                                                                                   | No impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

| Sl. No.  | ICAI Advisory                                                                                                                                                                                                     | Auditors Response                                                                                                                                                                                                                                                                   |
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| <b>4</b> | <b>Leases</b>                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                     |
| A        | Whether there is any change in terms of Lease Arrangements? (Anticipated revision will not be taken into account)                                                                                                 | a) As at the reporting date there are no changes in the lease arrangements as informed by the management.<br><br>b) However, the company has leased its property – land and building on rent. These arrangements needs to be reviewed.                                              |
| B        | Whether any compensation is given/ declared by the Government to the lessor for providing concession to the lessee ?                                                                                              | a) No Compensation is given/declared by the Government                                                                                                                                                                                                                              |
| c        | Whether any lease arrangement has become onerous? That is, whether the costs to be incurred on that Lease rent exceeds the benefits from the lease?                                                               | Not applicable                                                                                                                                                                                                                                                                      |
| D        | Verify documents relating to revised lease terms and concession of lease payments.                                                                                                                                | Not applicable                                                                                                                                                                                                                                                                      |
| <b>5</b> | <b>Revenue Recognition</b>                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                     |
| A        | Revenue to be recognised only when the significant risks and rewards are transferred to the buyer.                                                                                                                |                                                                                                                                                                                                                                                                                     |
| B        | Whether there are any instances such as goods ready for dispatch & earmarked for customers but not dispatched? In that case revenue recognition is to be postponed.                                               | a) Company has postponed Revenue recognition for the goods ready for dispatch & earmarked for Customers but not dispatched.                                                                                                                                                         |
| C        | Whether Revenue recognition has been postponed due to significant uncertainties of collection in view of COVID-19? Entities needs to disclose the circumstances for which Revenue Recognition has been postponed. | Not applicable                                                                                                                                                                                                                                                                      |
| D        | Whether there is any insurance recovery for business interruptions? If yes, details to be provided.                                                                                                               | No, such insurance in force                                                                                                                                                                                                                                                         |
| <b>6</b> | <b>Provisions, Contingent liabilities and Contingent Assets</b>                                                                                                                                                   |                                                                                                                                                                                                                                                                                     |
| A        | Whether there are any events occurring after the balance sheet date which require adjustments to Assets or Liabilities?                                                                                           | a) No, as informed by the management.<br><br>b) Events such as collection of trade receivables after 31st Mar 2020, needs to be reviewed, reconciled and confirmation of the trade receivables required which may indicate adjustment to trade receivables and advance deposit etc. |

| Sl. No.  | ICAI Advisory                                                                                                                                                                                                                                                                                                                                                    | Auditors Response                                                                                                                                                                                                                                                          |
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| B        | Whether there is any significant recognition and measurement uncertainties that might have been created by the outbreak of the COVID -19 in measuring various assets and liabilities?                                                                                                                                                                            | No, as informed by the management.                                                                                                                                                                                                                                         |
| C        | How the management has dealt with the impact of COVID-19 on the financial position and financial performance of the entity? Disclosure is to be made.                                                                                                                                                                                                            | a) Through daily monitoring, Cost reduction and control and Price control                                                                                                                                                                                                  |
| D        | Whether there are any contracts for which costs such as imposition of penalty due to delay in supply of goods or services, increase in cost of material, labour, etc. will exceed the benefit receivable from that contract? If yes, details of such contracts is to be provided.                                                                                | a) No, as informed by the management.<br>b) However, in the past customers have imposed / levied penalty and short paid for goods supplied beyond the stipulated period.<br>c) Company to review all its contracts which has penalty clause, for delay in supply.          |
| E        | If, the management is unable to assess whether some of the contracts which are to be executed, have become onerous (Costs>Benefits) due to the inadequacy of information, the same should be disclosed                                                                                                                                                           | a) Company has not shared the information of contracts pending supply / execution.<br>b) There will be additional cost, to the company if there are any delay in supply and execution of the works.<br>c) However, company has not assessed or shared such data with us. . |
| f        | Whether there are any modifications or terminations of the existing Contracts relating to Employees, Employee share based payments, Derivative contracts, Construction contracts, Revenue contracts and others? If there are any such modifications or terminations, details to be provided to give effect to the events occurring after the Balance Sheet Date. | No modifications or terminations                                                                                                                                                                                                                                           |
| G        | If, the management is unable to assess whether some of the contracts which are to be executed, have become onerous (Costs>Benefits) due to the inadequacy of information, the same should be disclosed                                                                                                                                                           | NA                                                                                                                                                                                                                                                                         |
| <b>7</b> | <b>Going Concern Assumption</b>                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                            |
|          | In brief, Going concern means the entity's ability to continue its operations in the foreseeable future. Financial statements are normally prepared on the assumption that an entity is a going concern.                                                                                                                                                         |                                                                                                                                                                                                                                                                            |

| Sl. No. | ICAI Advisory                                                                                                                                                                                                                                                                                                                                                      | Auditors Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| a)      | Management of the entity should assess the impact of COVID-19 and the measures taken on its ability to continue as a going concern. Going concern Assessment may involve analysis of the impact of COVID-19 on suppliers and customers, availability of employees, ability to procure working capital requirements, insurance policies that cover the losses etc., | <p>a) Management is closely reviewing the same and necessary action is taken to minimise the impact of COVID-19.</p> <p>b) As reported in the Emphasis of Matter section b) The financial statements of all units with the exception of Kalamassery Unit, is incurring loss year after year and the accumulated losses which is transferred to Head Office.</p> <p>c) The unit's current liabilities exceed current Assets as at balance sheet date. The net worth of the company is negative, however, the financial statements of the Units and its standalone financial statement of the Company have been prepared on "Going Concern Basis"</p> <p>d) With the Covid 19 and economic slowdown, there is a risk and it is ability to earn adequate cash profits, to meet the working capital requirements, and payment of unpaid overdue loans and interest calls for reassessment of the company's business strategy and plan for diversification, innovative and improved profitable products.</p> |
| b)      | Whether any events occurring after the balance sheet date indicate the risk that the entity may cease to be going concern?                                                                                                                                                                                                                                         | <p>a) Existing and past events do indicate greater risk of the entity as a going concern, as the company has huge accumulated losses and unpaid overdue loans from Government of India.</p> <p>b) Without adequate support from the Government it is very difficult to make a turn around the company's profitability.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| c)      | Whether there are any interruptions in the supply and production cycle of the entity due to the COVID- 19 outbreak? If so, does management have a feasible recovery plan?                                                                                                                                                                                          | <p>a) Yes. Management have a feasible recovery plan.</p> <p>b) Many MSME enterprises supply / carryout out job works for the company.</p> <p>c) Due to covid 19, there has been delay and disruption in the timely supply affecting the production cycle.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| d)      | Whether the impact of COVID-19 is severe and left the management with no realistic alternative but to liquidate or cease operations?                                                                                                                                                                                                                               | No                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

| Sl. No. | ICAI Advisory                                                                                                                                                                                                                                                                                                                                                                                                     | Auditors Response                                                                                                                                                                                         |
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| e)      | Whether the entity had scaled down its operations because of the impact of COVID-19?                                                                                                                                                                                                                                                                                                                              | a) Yes, the operations have been scaled down, but this adversely affects the company to meet the fixed overhead cost and labour thus pushing the cost of production to new high resulting in more losses. |
| f)      | Has management performed a preliminary assessment of the entity's ability to continue as a going concern? Whether auditor has discussed with management the impact of the COVID-19 outbreak, if any, on their assessment?                                                                                                                                                                                         | Yes,                                                                                                                                                                                                      |
| g)      | Were there interruptions in the supply and production cycle of the entity due to the COVID- 19 outbreak? If so, does management have a feasible recovery plan? Do these events or conditions cast significant doubt about the entity's ability to continue as a going concern? Are these disruptions expected to continue for a foreseeable future and the action plan of the management to mitigate these risks? | Not significant. As informed Management have a feasible recovery plan, but not shared with us.                                                                                                            |
| h)      | Did the auditor note any contradiction in audit evidence provided by the entity (e.g., different assumptions or inputs used for different purposes)?                                                                                                                                                                                                                                                              | No                                                                                                                                                                                                        |
| i)      | Are there any financial difficulties, resulting in additional credit risks, higher than usual bad debts and potential impairments and write-offs because of the COVID-19 outbreak? Has management considered these situations in their assessment of the entity's ability to continue as a going concern?                                                                                                         | Management view - Temporary financial difficulties are there within the normal level.                                                                                                                     |
| j)      | Are there any potential issues related to debt, including debt covenants, which are applicable to the entity (for example, is the entity in compliance with debt covenants or do debt agreements contain material adverse change clauses or call provisions)? Has management considered these situations in their assessment of the entity's ability to continue as a going concern?                              | The company has huge debt – loans availed from Government of India and also issued preferential shares which is overdue for redemption.                                                                   |

| Sl. No.   | ICAI Advisory                                                                                                                                                                                                                                                                                                                                                                        | Auditors Response                                                                                                                                                                                                                                                                                                                                                                                        |
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| <b>8</b>  | <b>Income Taxes</b>                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                          |
| a)        | Whether there is any risk that the future profits of the entity will be affected because of COVID-19?                                                                                                                                                                                                                                                                                | a) The company has accumulated - carried forward losses and depreciation year after year.<br>b) There is higher risk of future losses, due to Covid 19, if there is continued slow down in the economy.                                                                                                                                                                                                  |
| b)        | Whether the entity may incur losses in the near future because of COVID-19?                                                                                                                                                                                                                                                                                                          | Nominal loss is anticipated                                                                                                                                                                                                                                                                                                                                                                              |
| <b>9</b>  | <b>Consolidated Financial statements</b>                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                          |
| a)        | Financial statements of parent and subsidiaries used in preparation of the consolidated financial statements are usually drawn upto the same date. It may be noted that in any case, difference between the reporting dates should not be more than six months.                                                                                                                      | Not applicable                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>10</b> | <b>Property, Plant and Equipment</b>                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                          |
| a)        | The residual value and the useful life of an asset is to be reviewed considering COVID-19 and if expectations differ from previous estimates, same need to be properly accounted. To be discussed with the management and if there are assets which needs to be reassessed of its life then same need to be carried and effect should be suitably accounted in the books of account. | a) The Company has not complied from the requirement of Schedule-II of Companies Act, 2013 of depreciating the assets over its useful life and such depreciable amount shall be the cost of assets less its residual value.<br>b) The company has not made any review and assessment of the residual value and useful life of the assets.<br>c) This has been qualified in our audit report ref Sl.no.2. |
| <b>11</b> | <b>Borrowing Costs</b>                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                          |
| a)        | Whether there is any suspension in development of asset due to COVID-19 impact? If yes, then the capitalisation of Interest should be suspended.                                                                                                                                                                                                                                     | No                                                                                                                                                                                                                                                                                                                                                                                                       |

**Conclusion:**

1. The company's main product is manufacture of machinery which is chiefly supplied to defence, railways and other PSU's or Government department. Hence, the management feel there will not be significant impact due to Covid 19, however, we are yet to receive written representation from the management on Risk assessment and mitigation measure on the impact of covid pandemic and business strategy, business continuity plan to service customers, meeting delivering schedule, changes in production plan and operations plan etc.
2. We feel that Covid 19 situation could decrease company's customer's spend on technology, upgradation, adversely affect demand for prospective projects / orders, cause cancellations or ramp-downs of existing projects / orders, increase pricing pressure, higher travel restrictions, impose supply-side constraints, and adversely impact cash conversion cycles trade receivables.
3. Macroeconomic conditions caused by COVID-19 could also result in financial difficulties to Company's suppliers, customers, service providers, job-works, contractor's, including limited access to the credit markets, insolvency or bankruptcy, with the markets continue to undergo massive disruptions due to the COVID-19 pandemic.
4. Company to review all its contracts, customers, suppliers, contractor's, service providers and assess their financial strength to execute the agreed supply / works / contract as stipulated or reschedule to ensure minimum disruption and assess damage / additional cost to the company.
5. Company to comply with the applicable accounting standards as mentioned above.
6. Company need to evaluate their technology stack to allow them to operate with flexibility and agility, and work with partners who can respond and adjust quickly to changing circumstances.
7. Company to draw and prepare a business continuity plan, Risk Management Framework, leverage the existing assets for possible automation and improvement of the product, diversification.
8. Prepare a workable financial projections, profitability and cash flow, and effectively monitor the developments and to take corrective actions.

For **V.R. Murali & Co.,**  
Chartered Accountants  
FRN 002178S

**V. Ranganatha Murali**  
Proprietor  
Membership No.027051

Place: Bengaluru  
Date: 18<sup>th</sup> Sept 2020

**ADDENDUM TO DIRECTORS REPORT FOR THE YEAR 2019-20 IN RESPECT OF OBSERVATIONS MADE BY STATUTORY AUDITORS ON THE ACCOUNTS OF HMT MACHINE TOOLS LIMITED FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2020.**

| <b>Statutory Auditors' Observation</b>                                                                                                                                                                                                                                                                                                                                                                                                         | <b>Company's Reply</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| No provision is made for the liability, if any, towards the interest payable to vendors under Micro, Small and Medium Enterprises Development Act 2006. The impact on non-provision of such interest on the financial statements/ results cannot be quantified due to lack of the required information.                                                                                                                                        | As Government has changed the criteria for registering as MSME, Company is collecting details from all the existing Vendors. Necessary provision will be done in the Current Financial Year based on the re-classification of MSME Vendors                                                                                                                                                                                                                                |
| The Company has not complied from the requirement of Schedule-II of Companies Act, 2013 of depreciating the assets over its useful life and such depreciable amount shall be the cost of assets less its residual value. The company follows the policy of depreciating the Plant and Equipment costing less than Rs.10,000/- to Rs.1/- in the year of Purchase. Due to unavailability of required information impact could not be quantified. | Depreciation is charged as per Company's Accounting Policy. The accounting policy of the company has been formulated as per IND AS and in consultation with Experts in IND AS. Accordingly any asset less than Rs.10,000/- have been depreciated fully in the year of purchase. Also, the residual value is taken as Re1/- as the asset is expected to be used even after the useful life of the assets.                                                                  |
| Investment Properties: The Company has not complied with para 76 of Ind AS 40, since adequate disclosure with regard to fair values of the investment property, depreciation method and criteria for distinction between Investment Properties and PPE has not been disclosed.                                                                                                                                                                 | Company has disclosed Investment Property separately under Note No. 4 including depreciation and details of land held as Investment Property is disclosed separately under the Note part of PPE in the consolidated financials of MTL. Fair value of land held as investments is also disclosed in the consolidated financials of MTL. Company will ensure that adequate disclosure of investment property will be done at Unit level also in the Financial Year 2020-21. |

**Place: Bengaluru**

**Date: 18th September 2020**

**(S. Girish Kumar)**

**Managing Director**

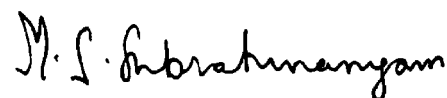
**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF HMT MACHINE TOOLS LIMITED, BANGALORE FOR THE YEAR ENDED 31 MARCH 2020**

The preparation of financial statements of HMT Machine Tools Limited for the year ended 31 March 2020 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139 (5) of the Act are responsible for expressing opinion on the financial statements under Section 143 of the Act based on independent audit in accordance with the Standards on Auditing prescribed under Section 143(10) of the Act. This is stated to have been done By them vide their Revised Audit Report dated 18 September 2020 which supersedes their earlier Audit Report dated 16 July 2020.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of HMT Machine tools Limited for the year ended 31 March 2020 under Section 143(6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records.

In view of the revision made in the Statutory Auditors' Report, to give effect to some of my audit observations raised during supplementary audit, I have no further comments to offer upon or supplement to the Statutory Auditors' Report under Section 143(6)(b) of the Act.

**For and on behalf of the  
Comptroller and Auditor General of India**



**(M. S. Subrahmanyam))  
Director General of Commercial  
Hyderabad**

**Place: Hyderabad**

**Date: 24th September 2020**

## Significant Accounting Policies for the year ended March 31, 2020

### 1. Background:

HMT Machine Tools Limited ('the Company') is a Schedule 'B' CPSE established on 09.08.1999 as a wholly owned subsidiary of HMT Limited – the Holding Company. HMT Machine Tools Limited is in the business of manufacture and marketing of Machine Tools as well as providing services in reconditioning and refurbishing of machines, catering to both domestic and international markets.

### 2. Significant Accounting Policies:

#### i) Basis of preparation:

The financial statements have been prepared to comply in all material aspects with the Indian Accounting Standards ("Ind AS") notified under section 133 of the Companies Act 2013 ("the Act"), read the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter, as applicable to the Company and other provisions of the Act.

The financial statements have been prepared on the historical cost convention on the accrual basis, except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

#### ii) Summary of Significant Accounting Policies:

##### a) Use of estimates:

The preparation of financial statements in conformity with Ind AS requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to

the carrying amounts of assets or liabilities in future periods. Any revision to accounting estimates is recognized prospectively.

#### b) Property, Plant & Equipment

Property, Plant and Equipment ("PPE") are stated at cost of acquisition or construction, net of vatiable taxes, less accumulated depreciation to date. Cost includes direct costs and financing costs related to borrowing attributable to acquisition that are capitalized until the assets are ready for use.

Expenditure in connection with the development of land is capitalised in the year in which the expense is incurred.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets.

The cost of an item of PPE shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits associated with the item will flow to the entity; and
- (b) the cost of the item can be measured reliably.

Items of PPE which is held for sale within 12 months from the end of reporting period is disclosed at lower of carrying cost or fair value less cost of sale

The carrying amount of an item of PPE is derecognised:

- (a) on disposal; or
- (b) where no future economic benefits are expected from its use or disposal.

The gain or loss arising from the de-recognition of an item of PPE shall be included in statement of profit or loss when the item is derecognised.

#### Special Tools:

Expenditure on manufactured and bought out special tools held for use in the production or supply of the goods or services and whose use is greater than one period is considered as an item of PPE and is depreciated over its useful life of 5 years.

## c) Leases

### The Company as a lessor

Leases for which the Company is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

#### *Operating Leases as a Lessor*

- a) Rental income from operating leases is generally recognised on a straight-line basis over the term of the relevant lease except where the rentals are structured solely to increase in line with expected general inflation to compensate for the Company's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue.
- b) Operating lease payments in case of intermediate lease are recognized as an expense in the Profit and Loss Account on a straight line basis over the term of the relevant lease.

### The Company as a lessee

Leases for which the Company is a lessee is classified as a finance or operating lease.

- a) Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.
- b) Leases are classified as operating lease when there is no right of use of an asset and payments on such lease are recognised as expenses in Profit & Loss Account on a straight line basis over the term of relevant lease.
- c) The Company, as a lessee, recognizes a right-of-use asset [ROU] and a lease liability for its leasing arrangements, if the contract conveys the right to control the use of an identified asset. The contract

conveys the right to control the use of an identified asset, if it involves the use of an identified asset and the Company has substantially all of the economic benefits from use of the asset and has right to direct the use of the identified asset except leases with a term of 12 months or less and low value leases, the company recognises the lease payments as an operating expenses on a straight line basis over the term of the lease.

The cost of the right-of-use asset shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any re-measurement of the lease liability.

The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate. Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

### d) Borrowing Cost:

Borrowing cost consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs directly attributable to acquisition of PPE which take substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

All other borrowing costs are expensed in the period in which they occur.

**e) Investment Property:**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

The Company depreciated building component of investment property as per the useful life prescribed in Schedule II of the Act.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in statement profit or loss in the period of de-recognition.

**f) Intangible Assets:**

- i) Intangible assets are stated at cost less accumulated amortization and impairment. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances), and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.
- ii) Expenditure on Technical Know-how is recognized as an Intangible Asset and amortized on straight line method based on technical assessment for a period not exceeding ten years. The amortization commences when the asset is available for use.
- iii) The cost of software internally generated / purchased for internal use which is not an integral part of the related hardware is recognized as an Intangible Asset and is amortized on straight line method based on technical assessment for a period not exceeding ten years.
- iv) *Research and Development Expenditure:*

**Research Phase:**

Expenditure on research including the expenditure during the research phase of Research & Development Projects is charged to profit and loss account in the year of incurrence.

**Development Phase:**

Expenditure incurred on Development Costs, which relate to Design, Construction and Testing of a chosen alternative for new or improved material, devices, products, processes, systems or services are recognized as an intangible asset. Such Intangible assets are amortized based on technical assessment over a period not exceeding ten years using straight line method.

**g) Depreciation and Amortisation:**

Depreciation on PPE is provided on straight line basis over the useful life of the various assets as prescribed in Schedule II to the Act, pro-rata with reference to the date of addition or deletion. As and when PPE gets fully depreciated, Re.1/- is retained as book value of the PPE. PPE costing less than Rs. 10,000/- shall be depreciated to Re.1/- in the year of purchase.

Each part of an item of PPE (also known as 'Component') with a cost that is significant in relation to the total cost of the item and has different useful life from that of the PPE it shall be depreciated separately.

Special Tools capitalised as PPE is depreciated over the period of five years and items those costing less than Rs.750 is depreciated in the year of acquisition/ manufacture.

Amortisation methods and useful lives of intangible assets are reviewed periodically including at the end of each financial year.

**h) Non-current assets held for distribution to owners and discontinued operations:**

The Company classifies non-current assets as held for sale/distribution to owners if their carrying amounts will be recovered principally through a sale/ distribution rather than through continuing use. Actions required to complete the sale/ distribution should indicate that it is unlikely that significant changes to the sale/ distribution will be made or that the decision to sell/ distribute will

be withdrawn. Management must be committed to the sale/ distribution expected within one year from the date of classification.

Non-current assets held for sale/for distribution to owners and disposal groups are measured at the lower of their carrying amount and the fair value less costs to sell/ distribute. Non-current Assets classified as held for sale/ distribution are presented separately in the balance sheet

#### **i) Government Grants:**

Government Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate are expenses. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

#### **j) Inventories:**

Raw materials, stores, work in progress and finished goods are valued at the lower of cost and net realizable value. The cost of materials is ascertained by adopting Weighted Average Cost Method.

Cost of work in progress, finished goods and goods-in-transit comprises direct materials, direct labour and an appropriate portion of variable and fixed overhead being allocated on the basis of normal operating capacity.

#### **k) Revenue Recognition:**

A customer contract exists if collectability under the contract is considered probable, the contract has commercial substance, contains payment terms, as well as the rights and commitments of both parties has been approved.

The Company collects goods and service tax on behalf of the Government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from the aforesaid revenue/ income.

#### **i) Sale of goods and services:**

Revenues are recognised at the point in time that the customer obtains control of the goods or services

which is when it has taken title to the products and assumed the risks and rewards of ownership of the product or services. Generally, the transfer of title and risks and rewards of ownership of goods are governed by the contractually defined shipping terms.

#### **ii) Rental Income:**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

#### **iii) Dividend Income:**

Dividend income is recognised when the Companies right to receive the payment is established, which is generally when shareholders approve the dividend.

#### **iv) Interest Income:**

Interest income, including income arising from other financial instruments measured at amortised cost, is recognized using the effective interest rate method.

#### **v) Warranty:**

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

With regard to turnkey projects implemented by the company, warranty provision at the rate of 2 percent of the purchase value is provided

#### **vi) Extended Warranties:**

When the company sells extended warranty, the revenue from sale of extended warranty is deferred and recognised over the period covered by the warranty. Where extended warranties are included in the price of the product and provide protection in excess of that provided by normal terms and conditions of sale for the relevant product, the company will separate and account for these two items separately.

#### **I) Foreign Currency Translation:**

The functional currency of the Company is the Indian rupee. These financial statements are presented in Indian rupees

Foreign-currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the balance sheet date. The gains or losses resulting from such translations are included in net profit in the statement of profit and loss.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of the transaction.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled. Revenue, expense and cash flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

#### **m) Retirement & Other Employee Benefits:**

Provident Fund is provided for, under a defined benefit scheme. The contributions are made to the Trust administered by the company.

Leave encashment is provided for under a long-term employee benefit based on actuarial valuation.

Gratuity is provided for, under a defined benefit scheme, to cover the eligible employees, liability being determined on actuarial valuation. Annual contributions are made, to the extent required, to a trust constituted and administered by the Life Insurance Corporation of India under which the coverage is limited to Rs.50,000/- per eligible employee. The balance provision is being retained in the books to meet any additional liability accruing thereon for payment of Gratuity.

Settlement allowance ("SA") is provided for, under a defined benefit scheme, to cover the eligible employees, liability being determined on actuarial valuation.

The Company recognizes the net obligation of a defined benefit plan i.e. Gratuity and SA in its balance sheet as an asset or liability. Gains and losses through re-measurements of the net defined benefit liability/ (asset) are recognized in other comprehensive income. In accordance with Ind AS, re-measurement gains and losses on defined benefit plans recognized

in Other Comprehensive Income are not to be subsequently reclassified to statement of profit and loss. As required under Ind AS compliant Schedule III, the Company recognizes re-measurement gains and losses on defined benefit plans (net of tax) to retained earnings.

Pension is provided for under a defined contribution scheme, contributions are made to the Pension Fund administered by the Government.

The amount of Rs.50,000/- per head received/ receivable from LIC on account of gratuity claims in respect of employees separated under Voluntary Retirement Scheme during the year is accounted as Other Income.

In respect of employees who are separated other than under Voluntary Retirement Scheme, the Gratuity paid in excess of Rs.50,000/-, Earned Leave Encashment (ELE), SA is debited to the respective provision accounts. The provision at the year-end for Gratuity, ELE and SA is restated as per the actuarial valuation done at the year-end

Gratuity, ELE, SA and lumpsum compensation paid to employees under Voluntary Retirement Scheme ("VRS") shall be fully written off in the year of incidence.

Expenses incurred in respect of bonds issued for raising funds to meet payments made under the VRS are fully written off in the year of disbursement.

#### **n) Income taxes:**

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the year. Current and deferred tax are recognized in the statement of profit and loss, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

#### **i) Current taxes:**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

**ii) Deferred Taxes:**

Deferred income tax assets and liabilities are recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

**o) Provisions:**

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized in the statement of Profit and loss.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

**p) Impairment:**
**i) Financial assets:**

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. The Company recognises lifetime expected losses for all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the life time expected credit losses if the credit

risk on the financial asset has increased significantly since initial recognition

**ii) Non-financial assets:**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses are recognized in the statement of profit and loss. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

**q) Financial Instruments:**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

**i) Cash & cash equivalents:**

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities

of twelve months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

**ii) Financial assets at amortised cost:**

Financial assets are subsequently measured at amortized cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**iii) Financial assets at fair value through other comprehensive income:**

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company presents the subsequent changes in fair value in Other Comprehensive Income.

**iv) Financial assets at fair value through profit or loss:**

Financial assets are measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognized in statement of profit and loss.

**v) Financial Liabilities:**

Financial liabilities are subsequently carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

**vi) De-recognition of financial instruments:**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial

asset expire or it transfers the financial asset and the transfer qualifies for de-recognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognized when the obligation specified in the contract is discharged or cancelled or expires.

**vii) Fair value of financial instruments:**

In determining the fair value of its financial instruments, the Company uses following hierarchy and assumptions that are based on market conditions and risks existing at each reporting date.

**Fair value hierarchy:**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ▶ Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- ▶ Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**viii) Investment in subsidiaries, joint ventures and associates:**

Investment in subsidiaries, joint ventures and associates are carried at cost.

**iii) Significant accounting judgements, estimations and assumptions:**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure

of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### **i) Judgements:**

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements

#### **a Operating lease – Company as lessor:**

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

### **ii) Estimates and assumptions:**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

#### **a Deferred Taxes**

Deferred Tax Assets must be recognised to the extent that it is probable that future profits will be available against which the deductible temporary difference can be utilised. The company does not recognise Deferred Tax Asset since the company has unused tax losses and there is no convincing evidence about future taxable profit.

#### **b Defined Benefit Obligations:**

The cost of the defined benefit gratuity plan and Settlement Allowance and the present value of the

gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, the management considers the interest rates of government bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates.

#### **c Other Long-Term Employee Benefits:**

Other Long-Term Employee Benefits like Earned Leave Encashment is determined through an actuarial valuation. The measurement of the long-term employee benefits is not subject to the same degree of uncertainty as the measurement of Defined Benefit Obligation. For this reason, the Re-measurement are not recognised in Other Comprehensive Income.

#### **d Fair value measurement of financial instruments:**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the NAV/NRV model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## BALANCE SHEET AS AT 31ST MARCH 2020

(Rs. In Lakhs)

| Particulars                             | Notes | As at<br>31-Mar-20  | As at<br>31-Mar-19  |
|-----------------------------------------|-------|---------------------|---------------------|
| <b>ASSETS</b>                           |       |                     |                     |
| <b>Non-Current Assets</b>               |       |                     |                     |
| Property, plant and equipment           | 3     | 3,470.62            | 3,756.79            |
| Capital work in progress                | 3     | 655.04              | 280.79              |
| Investment Property                     | 4     | 51.81               | 52.25               |
| Intangible Assets                       | 5     | 1,265.51            | -                   |
| Intangible Assets under development     | 5     | -                   | 941.21              |
| Machinery and Equipment's in transit    |       | -                   | 285.03              |
| Other Non- Current Assets               | 10    | -                   | -                   |
| <b>Total Non-current Assets</b>         |       | <b>5,442.98</b>     | <b>5,316.06</b>     |
| <b>Current Assets</b>                   |       |                     |                     |
| Inventories                             | 6     | 17,755.26           | 14,763.99           |
| Financial assets                        |       |                     |                     |
| Trade Receivables                       | 7     | 13,023.31           | 12,140.66           |
| Cash and cash equivalents               | 8     | 2,464.85            | 4,233.67            |
| Others                                  | 9     | 57.71               | 61.30               |
| Other Current Assets                    | 10    | 4,916.72            | 6,468.43            |
| <b>Total Current Assets</b>             |       | <b>38,217.85</b>    | <b>37,668.05</b>    |
| <b>Non Current Assets Held for Sale</b> | 3     | 0.01                | 0.01                |
|                                         |       | 0.01                | 0.01                |
| <b>TOTAL ASSETS</b>                     |       | <b>43,660.84</b>    | <b>42,984.13</b>    |
| <b>EQUITY AND LIABILITIES</b>           |       |                     |                     |
| <b>Equity</b>                           |       |                     |                     |
| Equity Share Capital                    | 11    | 27,659.91           | 27,659.91           |
| Other Equity                            | 12    | -1,68,465.33        | -1,58,174.88        |
| <b>Total Equity</b>                     |       | <b>-1,40,805.42</b> | <b>-1,30,514.97</b> |
| <b>Non-Current Liabilities</b>          |       |                     |                     |
| Financial liabilities                   |       |                     |                     |
| Borrowings                              | 13    | -                   | 634.00              |
| Preference Shares                       | 14    | -                   | -                   |
| Provisions                              |       |                     |                     |
| Provision for Employee Benefits         | 16    | 5,272.15            | 5,986.31            |
| <b>Total Non-Current Liabilities</b>    |       | <b>5,272.15</b>     | <b>6,620.31</b>     |

**BALANCE SHEET AS AT 31ST MARCH 2020**

| (Rs. In Lakhs)                      |       |                    |                    |
|-------------------------------------|-------|--------------------|--------------------|
| Particulars                         | Notes | As at<br>31-Mar-20 | As at<br>31-Mar-19 |
| <b>Current Liabilities</b>          |       |                    |                    |
| Financial liabilities               |       |                    |                    |
| Borrowings                          | 13    | <b>22,958.56</b>   | 15,604.74          |
| Trade payables                      | 17    | <b>7,980.74</b>    | 7,308.80           |
| Other financial liabilities         | 18    | <b>1,07,475.62</b> | 1,00,792.72        |
| Government Grant                    | 15    | -                  | -                  |
| Other Liabilities                   | 19    | <b>35,201.34</b>   | 36,834.30          |
| Provisions                          |       |                    |                    |
| Provision for Employee Benefits     | 16    | <b>5,390.39</b>    | 6,156.34           |
| Others                              | 20    | <b>187.46</b>      | 181.89             |
| <b>Total Current Liabilities</b>    |       | <b>1,79,194.11</b> | <b>1,66,878.79</b> |
| <b>Total Liabilities</b>            |       | <b>1,84,466.26</b> | <b>1,73,499.10</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b> |       | <b>43,660.84</b>   | <b>42,984.13</b>   |

See accompanying notes to the financial statements and Additional Disclosure to statement of Profit and Loss A/c Accounting Policies form part of the financial statements

For and on behalf of the Board

As per our Report of Even date

**(S.Girish Kumar)**

Managing Director

DIN:03385073

**(Harikumar M)**

AGM (Finance)

**(Neelam S. Kumar)**

Director

DIN No. 08220197

**(Om Prakash Singh)**

Company Secretary

**For M/s V R Murali & Co**

Chartered Accountants

FRN : 002178S

**(V.Ranganatha Murali)**

Proprietor

M.No.027051

Place : Bengaluru

Date : 29.06.2020

# STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2020

| (Rs. In Lakhs)                                                                           |       |                         |                         |
|------------------------------------------------------------------------------------------|-------|-------------------------|-------------------------|
| Particulars                                                                              | Notes | Year Ended<br>31-Mar-20 | Year Ended<br>31-Mar-19 |
| <b>CONTINUING OPERATIONS</b>                                                             |       |                         |                         |
| Sale of goods                                                                            |       | 16,511.55               | 20,369.70               |
| Rendering of services                                                                    |       | 1,111.63                | 1,371.33                |
| <b>Revenue from Operations</b>                                                           | 21    | <b>17,623.18</b>        | <b>21,741.03</b>        |
| Other income                                                                             | 22 A  | 1,381.97                | 1,873.47                |
| Interest Income                                                                          | 22 B  | 195.09                  | 167.64                  |
| <b>Total Income</b>                                                                      |       | <b>19,200.24</b>        | <b>23,782.14</b>        |
| <b>EXPENSES</b>                                                                          |       |                         |                         |
| Cost of raw materials consumed                                                           | 23    | 9,067.05                | 8,893.33                |
| (Increase)/ decrease in inventories of finished goods, work-in-progress and traded goods | 24    | (3,321.40)              | (2,607.13)              |
| Excise duty/GST on goods sold during the year                                            | 25    | -                       | -                       |
| Excise duty on increase/ (decrease) in inventory                                         | 26    | -                       | 14.94                   |
| Employee benefits expense                                                                | 27    | 10,278.66               | 11,050.72               |
| Finance costs                                                                            | 29    | 7,966.81                | 6,863.39                |
| Depreciation and amortization expense                                                    | 28    | 912.96                  | 884.01                  |
| Other expenses                                                                           | 30    | 4,444.91                | 5,150.43                |
| Less: Jobs Done for Internal Use                                                         | 31    | 276.95                  | 84.13                   |
| <b>Total Expenses</b>                                                                    |       | <b>29,072.04</b>        | <b>30,165.56</b>        |
| <b>Profit/(Loss) before exceptional items and Tax from Continuing Operations</b>         |       | <b>(9,871.80)</b>       | <b>(6,383.42)</b>       |
| Exceptional Items                                                                        |       | -                       | -                       |
| <b>Profit/(Loss) before Tax from Continuing Operations</b>                               |       | <b>(9,871.80)</b>       | <b>(6,383.42)</b>       |
| (1) Current tax                                                                          |       | -                       | -                       |
| (2) Deferred tax                                                                         |       | -                       | -                       |
|                                                                                          |       | 0.00                    | 0.00                    |
| <b>Profit/(Loss) for the year from Continuing Operations</b>                             |       | <b>(9,871.80)</b>       | <b>(6,383.42)</b>       |
| <b>DISCONTINUED OPERATIONS</b>                                                           |       |                         |                         |
| Profit/(loss) before tax for the year from discontinued operations                       |       | -                       | -                       |
| Tax Income/ (expense) of discontinued operations                                         |       | -                       | -                       |
| <b>Profit/(Loss) from discontinued operations</b>                                        |       | <b>0.00</b>             | <b>0.00</b>             |
| <b>Profit/(Loss) for the year</b>                                                        |       | <b>(9,871.80)</b>       | <b>(6,383.42)</b>       |

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2020**

|                                                                                                      |       | (Rs. In Lakhs)          |                         |
|------------------------------------------------------------------------------------------------------|-------|-------------------------|-------------------------|
| Particulars                                                                                          | Notes | Year Ended<br>31-Mar-20 | Year Ended<br>31-Mar-19 |
| <b>OTHER COMPREHENSIVE INCOME</b>                                                                    |       |                         |                         |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods:               |       | 0.00                    | 0.00                    |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods:           |       |                         |                         |
| Re-measurement gains (losses) on defined benefit plans                                               |       | (418.66)                | (1,096.49)              |
| <b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b> |       | <b>(418.66)</b>         | <b>(1,096.49)</b>       |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>                                           |       | <b>(10,290.45)</b>      | <b>(7,479.91)</b>       |
| Earnings per share for continuing operations                                                         | 32    |                         |                         |
| • Basic, profit from continuing operations attributable to equity holders of the parent              |       | (3.57)                  | (2.31)                  |
| • Diluted, profit from continuing operations attributable to equity holders of the parent            |       | (3.57)                  | (2.31)                  |
| Earnings per share for discontinued operations                                                       |       |                         |                         |
| • Basic, profit from continuing operations attributable to equity holders of the parent              |       |                         |                         |
| • Diluted, profit from continuing operations attributable to equity holders of the parent            |       |                         |                         |
| Earnings per share from continuing and discontinued operations                                       |       |                         |                         |
| • Basic, profit for the year attributable to equity holders of the parent                            |       | (3.57)                  | (2.31)                  |
| • Diluted, profit for the year attributable to equity holders of the parent                          |       | (3.57)                  | (2.31)                  |

See accompanying notes to the financial statements and Additional Disclosure to Balance Sheet Accounting Policies form part of the financial statements

For and on behalf of the Board

As per our Report of Even date

**(S.Girish Kumar)**  
Managing Director  
DIN:03385073

**(Neelam S. Kumar)**  
Director  
DIN No. 08220197

**For M/s V R Murali & Co**  
Chartered Accountants  
FRN : 002178S

**(Harikumar M)**  
AGM (Finance)

**(Om Prakash Singh)**  
Company Secretary

**(V.Ranganatha Murali)**  
Proprietor  
M.No.027051

Place : Bengaluru

Date : 29.06.2020

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2020

(Rs. In Lakhs)

| Particulars                                                          | Year Ended<br>31-Mar-20 | Year Ended<br>31-Mar-19 |
|----------------------------------------------------------------------|-------------------------|-------------------------|
| <b>Operating Activities</b>                                          |                         |                         |
| Profit/(Loss) before tax from continuing operations                  | (9,871.80)              | (6,383.42)              |
| Profit/(loss) before tax from discontinued operations                |                         |                         |
| <b>Profit/(Loss) Before Tax</b>                                      | <b>(9,871.80)</b>       | <b>(6,383.42)</b>       |
| <b>Adjustments to reconcile profit before tax to net cash flows:</b> |                         |                         |
| Depreciation and impairment of property, plant and equipment         | 771.92                  | 883.58                  |
| Amortisation of Intangible Assets                                    | 140.61                  | -                       |
| Depreciation of investment properties                                | 0.43                    | 0.43                    |
| Provision of loss in value of Equity                                 |                         |                         |
| Adjustment in Depreciation passed to P/L                             |                         |                         |
| Gain on disposal of property, plant and equipment                    | (67.11)                 | (133.85)                |
| Finance income                                                       | (195.09)                | (167.64)                |
| Finance costs                                                        | 7,966.81                | 6,863.39                |
| Prior Period Item                                                    |                         |                         |
| <b>Working Capital Adjustments:</b>                                  |                         |                         |
| Movements in provisions, gratuity                                    | (1,893.19)              | (1,402.66)              |
| (Increase)/Decrease in trade and other receivables and prepayments   | 672.65                  | (4,887.90)              |
| (Increase)/Decrease in inventories                                   | (2,991.27)              | (4,223.16)              |
| Increase/(Decrease) in trade and other payables                      | (961.02)                | (929.43)                |
|                                                                      | <b>(6,427.05)</b>       | <b>(10,380.67)</b>      |
| Income tax paid/reversed                                             |                         |                         |
| <b>Net cash flows from operating activities</b>                      | <b>(6,427.05)</b>       | <b>(10,380.67)</b>      |
| <b>Investing Activities</b>                                          |                         |                         |
| Proceeds from sale of property, plant and equipment                  | 198.76                  | 137.89                  |
| Purchase of property, plant and equipment                            | (1,171.53)              | (732.00)                |
| Interest received                                                    | 195.09                  | 167.64                  |
| Receipt/(Application) of government grants                           | 0.00                    | 0.00                    |
| <b>Net cash flows used in investing activities</b>                   | <b>(777.68)</b>         | <b>(426.48)</b>         |

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2020

(Rs. In Lakhs)

| Particulars                                               | Year Ended<br>31-Mar-20 | Year Ended<br>31-Mar-19 |
|-----------------------------------------------------------|-------------------------|-------------------------|
| <b>Financing Activities</b>                               |                         |                         |
| Interest Paid                                             | (1,917.92)              | (1,091.93)              |
| Proceeds/(Repayment) from borrowings                      | 7,353.82                | 12,340.16               |
| Repayment of borrowings                                   |                         |                         |
| Redemption of preference Share Capital                    |                         |                         |
| <b>Net cash flows from/(used in) financing activities</b> | <b>5,435.90</b>         | <b>11,248.22</b>        |
| Net increase in cash and cash equivalents                 | (1,768.82)              | 441.08                  |
| Net foreign exchange difference                           |                         |                         |
| Cash and cash equivalents at the beginning of the year    | 4,233.67                | 3,792.59                |
| <b>Cash and cash equivalents at year end</b>              | <b>2,464.85</b>         | <b>4,233.67</b>         |

Note : 1) The above statement has been prepared under the indirect method as set out in Ind AS 7

2) The Cash and Cash equivalents has been considered as per Note No. 8

For and on behalf of the Board

As per our Report of Even date

**(S.Girish Kumar)**

Managing Director

DIN:03385073

**(Neelam S. Kumar)**

Director

DIN No. 08220197

**For M/s V R Murali & Co**

Chartered Accountants

FRN : 002178S

**(Harikumar M)**

AGM (Finance)

**(Om Prakash Singh)**

Company Secretary

**(V.Ranganatha Murali)**

Proprietor

M.No.027051

Place : Bengaluru

Date : 29.06.2020

# NOTES FORMING PART OF BALANCE SHEET

## 3. PROPERTY, PLANT & EQUIPMENT

| (Rs. In Lakhs)                     |                         |           |                   |                  |                     |                                         |                                   |                            |                          |                     |                                     |                             | (Rs. In Lakhs)           |          |               |                     |                       |           |
|------------------------------------|-------------------------|-----------|-------------------|------------------|---------------------|-----------------------------------------|-----------------------------------|----------------------------|--------------------------|---------------------|-------------------------------------|-----------------------------|--------------------------|----------|---------------|---------------------|-----------------------|-----------|
| PARTICULAR                         | Land & Land Development | Buildings | Factory Buildings | General Building | Plant and Machinery | Furniture, Fittings & Office Appliances | Air conditioning and ventilations | Computers and data process | Electrical installations | Measuring Equipment | Factory Equipment and installations | Water supply and sanitation | Capital work in progress | Vehicles | Special Tools | Interior Partitions | Road Wall and Fencing | Total     |
| Cost or valuation At 31 March 2018 | 78.87                   | 1,446.72  | 479.84            | 241.34           | 21,512.32           | 526.20                                  | 487.48                            | 1,278.09                   | 875.91                   | 707.92              | 2,897.84                            | 159.55                      | 128.89                   | 24.31    | 1,035.40      | 8.63                | 40.74                 | 31,930.05 |
| Additions                          |                         |           |                   |                  | 234.77              | 0.00                                    | 0.00                              | 0.86                       |                          |                     |                                     |                             | 151.90                   |          | 84.13         |                     |                       | 471.65    |
| Assets Held for Disposal           |                         |           |                   |                  | (532.93)            | (4.32)                                  |                                   |                            |                          |                     | (1.15)                              |                             |                          |          |               |                     |                       | (538.40)  |
| Disposal/Adjustment                |                         |           |                   |                  |                     |                                         |                                   |                            |                          |                     |                                     |                             |                          |          |               |                     |                       |           |
| At 31 March 2019                   | 78.87                   | 1,446.72  | 479.84            | 241.34           | 21,214.15           | 521.88                                  | 487.48                            | 1,278.95                   | 875.91                   | 707.92              | 2,896.69                            | 159.55                      | 280.79                   | 24.31    | 1,119.53      | 8.63                | 40.74                 | 31,863.31 |
| Additions                          |                         |           |                   |                  | 232.25              | 3.39                                    |                                   | 128.89                     |                          |                     |                                     | 5.45                        | 503.14                   |          | 118.53        |                     |                       | 991.65    |
| Assets Held for Disposal           |                         |           |                   |                  | (107.60)            | (0.58)                                  |                                   |                            |                          |                     | (0.02)                              |                             | (128.89)                 |          |               |                     |                       | (237.09)  |
| Disposal/Adjustment                |                         |           |                   |                  |                     |                                         |                                   |                            |                          |                     |                                     |                             |                          |          |               |                     |                       |           |
| At 31 March 2020                   | 78.87                   | 1,446.72  | 479.84            | 241.34           | 21,338.80           | 524.69                                  | 487.48                            | 1,407.84                   | 875.91                   | 707.92              | 2,896.68                            | 165.00                      | 655.04                   | 24.31    | 1,238.06      | 8.63                | 40.74                 | 32,617.86 |
| Depreciation and Impairment        |                         |           |                   |                  |                     |                                         |                                   |                            |                          |                     |                                     |                             |                          |          |               |                     |                       |           |
| At 31 March 2018                   | -                       | 1,331.40  | 428.12            | 212.41           | 18,108.54           | 498.41                                  | 455.29                            | 1,243.59                   | 853.09                   | 641.93              | 2,686.24                            | 159.55                      | -                        | 24.31    | 784.58        | 8.63                | 40.74                 | 27,476.83 |
| Depreciation charge for the year   |                         | 8.50      | 3.22              | 7.59             | 570.57              | 8.96                                    | 9.97                              | 7.13                       | 13.27                    | 39.98               | 102.72                              |                             |                          |          | 111.67        |                     |                       | 883.58    |
| Adjustments during the year        |                         |           |                   |                  |                     | -                                       | -                                 | -                          | -                        | -                   | -                                   |                             |                          |          | -             |                     |                       | -         |
| Deduction/Adjustment               |                         |           |                   |                  | (529.22)            | (4.32)                                  | -                                 | -                          | 2.34                     | -                   | (3.48)                              |                             |                          |          | -             |                     |                       | (534.68)  |
| Assets Held for Disposal           |                         |           |                   |                  | 0.00                |                                         |                                   |                            |                          |                     |                                     |                             |                          |          |               |                     |                       | 0.00      |
| At 31 March 2019                   | -                       | 1,339.90  | 431.34            | 220.00           | 18,149.89           | 503.05                                  | 465.26                            | 1,250.72                   | 868.69                   | 681.91              | 2,785.48                            | 159.55                      | -                        | 24.31    | 896.25        | 8.63                | 40.74                 | 27,825.73 |
| Depreciation charge for the year   |                         | 6.31      | 4.64              | 2.49             | 505.66              | 5.73                                    | 8.34                              | 52.21                      | 5.69                     | 4.19                | 66.46                               | 1.09                        |                          |          | 109.13        |                     |                       | 771.93    |
| Adjustments during the year        |                         |           |                   |                  |                     |                                         |                                   |                            |                          |                     |                                     |                             |                          |          |               |                     |                       | -         |
| Deduction/Adjustment               |                         |           |                   |                  | (104.84)            | (0.58)                                  |                                   |                            |                          |                     | (0.02)                              |                             |                          |          |               |                     |                       | (105.44)  |
| Assets Held for Disposal           |                         |           |                   |                  | 0.00                |                                         |                                   |                            |                          |                     |                                     |                             |                          |          |               |                     |                       | 0.00      |
| At 31 March 2020                   | -                       | 1,346.21  | 435.98            | 222.49           | 18,550.70           | 508.20                                  | 473.60                            | 1,302.93                   | 874.39                   | 686.10              | 2,851.92                            | 160.64                      | -                        | 24.31    | 1,005.37      | 8.63                | 40.74                 | 28,492.21 |
| Net book value                     |                         |           |                   |                  |                     |                                         |                                   |                            |                          |                     |                                     |                             |                          |          |               |                     |                       |           |
| At 31 March 2020                   | 78.87                   | 100.51    | 43.86             | 18.85            | 2,788.10            | 16.49                                   | 13.88                             | 104.91                     | 1.52                     | 21.82               | 44.76                               | 4.36                        | 655.04                   | -        | 232.69        | -                   | -                     | 4,125.65  |
| At 31 March 2019                   | 78.87                   | 106.82    | 48.50             | 21.34            | 3,064.26            | 18.83                                   | 22.22                             | 28.23                      | 7.22                     | 26.01               | 111.21                              | -                           | 280.79                   | -        | 223.28        | -                   | -                     | 4,037.58  |
| Net book value                     | 31-03-20                | 31-03-19  |                   |                  |                     |                                         |                                   |                            |                          |                     |                                     |                             |                          |          |               |                     |                       |           |
| Plant Property and Equipment       | INR Lakhs               | INR Lakhs |                   |                  |                     |                                         |                                   |                            |                          |                     |                                     |                             |                          |          |               |                     |                       |           |
| Capital work in progress           | 3,471                   | 3,757     |                   |                  |                     |                                         |                                   |                            |                          |                     |                                     |                             |                          |          |               |                     |                       |           |
| Non Current Assets Held for Sale   | 655                     | 281       |                   |                  |                     |                                         |                                   |                            |                          |                     |                                     |                             |                          |          |               |                     |                       |           |
|                                    | 0                       | 0         |                   |                  |                     |                                         |                                   |                            |                          |                     |                                     |                             |                          |          |               |                     |                       |           |

## Non Current Assets Held for Sale

(Rs. In Lakhs)

| NOTES FORMING PART OF BALANCE SHEET |           |           | Total |  |
|-------------------------------------|-----------|-----------|-------|--|
| Particulars                         | 31-Mar-20 | 31-Mar-19 |       |  |
| Plant and Machinery                 | 0.01      | 0.01      |       |  |
| Factory Equipment                   | -         | 0.00      |       |  |
|                                     | 0.01      | 0.01      |       |  |

## NOTES FORMING PART OF BALANCE SHEET

### HMT Machine Tools Ltd

1. Fixed Assets have been transferred from the Holding Company to the Subsidiary at Gross value of Rs. 202.10 Cr. Reserve for depreciation of Rs. 151.46 Cr. and net value of Rs. 50.64 Cr., as on 01.04.2000 in line with para 10 (j) and Annexure 12 of the Scheme of Arrangement approved by the Department of Company Affairs.
2. Fixed Assets include immovable properties, vested under the Scheme of Arrangement approved by the Govt. of India. However, the mutation of title deeds is yet to be done in the revenue records to that effect. Fresh Lease Deed in respect of Lease Hold Lands are pending to be executed.
3. Pursuant to the enactment of Companies Act 2013, the Company has applied the estimated useful lives as specified in Schedule II. Accordingly the unamortised carrying value is being depreciated/amortised over the revised/remaining useful lives. The written down value of Fixed Assets whose lives have expired as at 1st April 2014 have been adjusted net of tax, in the opening balance of Statement of Profit and Loss amounting to Rs. 321.73 lakhs during FY. 2014-15.
4. In respect of Praga Tools Division, Hyderabad Plant & Machinery includes 7 items of Fixed Assets identified as surplus and for disposal, the net block of which is Rs. 16,34,329/-
5. **LAND:**
  - 5.1 Pending finalisation of the rates by the Government of Rajasthan, provision for conversion charges, if any, payable for conversion of Revenue land for Industrial use at Machine Tool Unit Ajmer, has not been made in the accounts as the matter is sub-judice and execution of lease deed is pending.
  - 5.2 The Company has leased out land admeasuring 2.71 acres to the Kerala Electricity Board and Postal Authorities in Kalamassery. Further, the Company has leased out land admeasuring 5.00 Ha, and 2.50 Ha to M/s Kochi Metro Rail Ltd., for which the lease period has been extended up to 31.07.2017 and 31.12.2018 respectively. Further an additional land of 1.6131 Ha. has been leased out up to 31.12.2018 for stackyard and fabrication purpose. Subsequently both 5 Ha and 1.6131 Ha of land has been surrendered back to Company as on 31.12.2018. The lease agreement for 2.5 Ha of land has been extended upto 31.05.2019. KMRL paid license fees and vacated this 2.5 Hectares of land on 30.11.2019.
  - 5.3 The Company is in possession of Gift land located at Bangalore, Kalamassery & Hyderabad gifted by the respective State Governments measuring 177.75 Acres, 348.85 Acres and 227.30 Acres respectively, nominally valued at Rs. 1 each.
  - 5.4 Praga Tools Division is in possession of 195 acres and 33 guntas land handed over by the Govt. of Andhra Pradesh. The company has filed Writ Petition No. 20012 of 2003 on the file of Hon'ble High Court of A.P. against the Govt. of A.P. and others wherein the Company has sought directions for demarking 195.33 acres of land for handing over the same to the company. As per the survey conducted during the year 2004-05 by the Officials of Survey and Settlement Department, Ranga Reddy Dist. in view of Supreme Court directives, it has come to the notice that approx. 39 acres of land is not in the actual possession of the Company, but the company has paid for the entire 195.33 acres of land for the decree holders. Out of the above land, 6000 sq. mts. of land is allotted to APSEB for setting up 33KV Switching Station and 33/11 KV Electrical sub-station. The compensation payable by the APSEB has not yet been determined. GHMC issued a notice vide notice No. 41/86/RW/TPS/GHMC/SC/2007 dated 01.12.2007 to take over 238.86sq. Yds of land for road widening programme undertaken by them out of the 3000 sq. yds available at kavadiguda, Secunderabad without any compensation. The Company had protested for this and raised a demand for compensation for land proposed to be taken over by them for road widening programme at prevailing market rate which is pending.
  - 5.5 Praga Tools Division has leased out a land admeasuring 64.62 acres to HMRL (Hyderabad Metro Rail Corporation) for a period of 3 years commencing from 1st September, 2012 to 31st August, 2015 for a temporary casting-cum-stacking yard. Further lease period has been extended up to 31st August, 2017 and then upto 30.09.2018.

## NOTES FORMING PART OF BALANCE SHEET

(Rs. In Lakhs)

| 4. INVESTMENT PROPERTY           | Total |
|----------------------------------|-------|
| Closing balance at 31 March 2019 | 56.02 |
| Additions                        | -     |
| Closing balance at 31 March 2020 | 56.02 |
| Depreciation and Impairment      |       |
| Closing balance at 31 March 2019 | 3.77  |
| Depreciation                     | 0.43  |
| Closing balance at 31 March 2020 | 4.20  |
| Net Block                        |       |
| at 31 March 2019                 | 52.25 |
| at 31 March 2020                 | 51.81 |

### Information regarding income and expenditure of Investment property

Rs. In Lakhs

|                                                                                                   | 31-Mar-20 | 31-Mar-19 |
|---------------------------------------------------------------------------------------------------|-----------|-----------|
| Rental income derived from investment properties                                                  | 80.19     | 26.09     |
| Direct operating expenses (including repairs and maintenance) generating rental income            |           |           |
| Direct operating expenses (including repairs and maintenance) that did not generate rental income |           |           |
| Profit arising from investment properties before depreciation and indirect expenses               | 80.19     | 26.09     |
| Less – Depreciation                                                                               | 0.43      | 0.43      |
| Profit arising from investment properties before indirect expenses                                | 79.76     | 25.66     |

| 5. Intangible Assets                | Intangible Assets | Intangible asset under development | Total    |
|-------------------------------------|-------------------|------------------------------------|----------|
| Cost                                |                   |                                    |          |
| At 31 March 2019                    | 88.36             | 941.21                             | 1,029.57 |
| Additions/Deletion                  | 1,406.12          | -941.21                            |          |
| At 31 March 2020                    | 1,494.48          | -                                  | 1,494.48 |
| Amortisation and Impairment         |                   |                                    |          |
| At 31 March 2019                    | 88.36             |                                    | 88.36    |
| Amortisation                        | 140.61            |                                    |          |
| At 31 March 2020                    | 228.97            |                                    | 228.97   |
| Net book value                      |                   |                                    |          |
| At 31 March 2020                    | 1,265.51          | -                                  | 1,265.51 |
| At 31 March 2019                    | 0.00              | 941.21                             | 941.21   |
| Net book value                      | 31-03-2020        | 31-03-2019                         |          |
| Intangible assets under development | -                 | 941.21                             |          |
| Intangible Assets                   | 1,265.51          | 0.00                               |          |

**NOTES FORMING PART OF BALANCE SHEET**
**(Rs. In Lakhs)**

| <b>NOTES FORMING PART OF BALANCE SHEET</b>                                                                                                                                                                                                                                                | <b>As at<br/>31-Mar-20</b> | <b>As at<br/>31-Mar-19</b> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| <b>6. Inventories</b>                                                                                                                                                                                                                                                                     |                            |                            |
| Raw Materials and Components                                                                                                                                                                                                                                                              | <b>2,476.16</b>            | 2,135.31                   |
| Material and Components in Transit                                                                                                                                                                                                                                                        | <b>306.34</b>              | 1,162.56                   |
| Work-in-Progress                                                                                                                                                                                                                                                                          | <b>5,904.20</b>            | 6,259.32                   |
| Finished Goods                                                                                                                                                                                                                                                                            | <b>8,891.16</b>            | 5,070.85                   |
| Stock in Trade                                                                                                                                                                                                                                                                            | -                          | -                          |
| Goods-in-Transit                                                                                                                                                                                                                                                                          | -                          | 268.93                     |
| Stores and Spares                                                                                                                                                                                                                                                                         | <b>1,365.38</b>            | 1,111.10                   |
| Tools and Instruments                                                                                                                                                                                                                                                                     | <b>65.97</b>               | 75.07                      |
| Scrap                                                                                                                                                                                                                                                                                     | <b>214.15</b>              | 89.00                      |
|                                                                                                                                                                                                                                                                                           | <b>19,223.35</b>           | <b>16,172.13</b>           |
| Less: Provision for Non-moving Inventories                                                                                                                                                                                                                                                | <b>1,468.09</b>            | 1,408.14                   |
|                                                                                                                                                                                                                                                                                           | <b>17,755.26</b>           | <b>14,763.99</b>           |
| <b>7. Trade Receivables</b>                                                                                                                                                                                                                                                               |                            |                            |
| Considered good                                                                                                                                                                                                                                                                           | <b>13,023.31</b>           | 12,140.66                  |
| Unsecured, considered good                                                                                                                                                                                                                                                                | -                          | -                          |
| Doubtful                                                                                                                                                                                                                                                                                  | <b>6,162.82</b>            | 5,831.08                   |
|                                                                                                                                                                                                                                                                                           | <b>19,186.13</b>           | <b>17,971.75</b>           |
| <b>Impairment Allowance (Allowance for bad and doubtful debts)</b>                                                                                                                                                                                                                        |                            |                            |
| Unsecured, considered doubtful                                                                                                                                                                                                                                                            | <b>6,162.82</b>            | 5,831.08                   |
|                                                                                                                                                                                                                                                                                           | <b>13,023.31</b>           | <b>12,140.66</b>           |
| Trade Receivables exceeding 6 months from the date they are due for payment                                                                                                                                                                                                               | <b>5,495.70</b>            | 6,044.44                   |
| Trade Receivables less than 6 months from the date they are due for payment                                                                                                                                                                                                               | <b>7,527.61</b>            | 6,096.22                   |
| No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member |                            |                            |
| <b>8. Cash and Cash equivalents</b>                                                                                                                                                                                                                                                       |                            |                            |
| <i>Balances with banks:</i>                                                                                                                                                                                                                                                               |                            |                            |
| – On Current accounts                                                                                                                                                                                                                                                                     | <b>461.26</b>              | 1,232.24                   |
| – On Deposits accounts between 3-12 months                                                                                                                                                                                                                                                | <b>1,990.83</b>            | 2,986.11                   |
| – On Deposits accounts More than 12 months                                                                                                                                                                                                                                                | -                          | -                          |
| Cash and Cheques on hand                                                                                                                                                                                                                                                                  | <b>12.75</b>               | 15.32                      |
|                                                                                                                                                                                                                                                                                           | <b>2,464.85</b>            | <b>4,233.67</b>            |

|                                                          | (Rs. In Lakhs)     |                    |
|----------------------------------------------------------|--------------------|--------------------|
| NOTES FORMING PART OF BALANCE SHEET                      | As at<br>31-Mar-20 | As at<br>31-Mar-19 |
| <b>9. Other Financial Assets</b>                         |                    |                    |
| Interest Accrued and Due                                 | 57.71              | 61.30              |
| With Scheduled Banks in Deposit Account - Margin Money   | -                  | -                  |
| <b>Total</b>                                             | <b>57.71</b>       | <b>61.30</b>       |
| <b>10. Other Assets</b>                                  |                    |                    |
| <b>Non-Current</b>                                       |                    |                    |
| Capital Advances                                         | 1.97               | 1.97               |
| Less: Provision for Doubtful Advances                    | (1.97)             | (1.97)             |
|                                                          | -                  | -                  |
| <b>Current</b>                                           |                    |                    |
| <b>Advances to employees</b>                             | <b>0.08</b>        | <b>0.08</b>        |
| Vehicle Advance                                          | 0.54               | 0.54               |
| Less: Provision for Doubtful Loans and Advances          | (0.54)             | (0.54)             |
| <b>Advances to subsidiary companies</b>                  | <b>-</b>           | <b>-</b>           |
| HMT Ltd                                                  | 435.58             | 478.76             |
| HMT Watches Ltd                                          | 23.37              | 25.02              |
| HMT International Ltd.                                   | 388.31             | 1,696.62           |
| HMT Chinar Watches Ltd                                   | -                  | -                  |
| HMT Bearings Ltd                                         | -                  | 39.60              |
|                                                          | <b>847.34</b>      | <b>2,240.07</b>    |
| <b>Advances other than Capital Advances</b>              |                    |                    |
| Advances recoverable in cash or in kind                  | 305.26             | 296.35             |
| Advance to Suppliers/Employees Including Advance No. III | 12.72              | 108.91             |
| Considered Good                                          | 3,137.60           | 3,287.38           |
| Considered Doubtful                                      | 582.86             | 582.43             |
|                                                          | <b>4,038.44</b>    | <b>4,275.07</b>    |
| Less: Provision for Doubtful Advances                    | 582.86             | 582.43             |
|                                                          | <b>3,455.58</b>    | <b>3,692.64</b>    |
| Prepaid Expenses                                         | 8.88               | 12.93              |
| Withholding of taxes and other tax receivables*          | 145.79             | 108.81             |
| Security Deposits                                        | 459.12             | 413.98             |
|                                                          | <b>613.79</b>      | <b>535.71</b>      |
| <b>Total Other Assets</b>                                | <b>4,916.72</b>    | <b>6,468.43</b>    |

\*Withholding taxes primarily consists of input taxes

**NOTES FORMING PART OF BALANCE SHEET**
**Statement of changes in equity as on 31st MARCH 2020**
**(Rs. In Lakhs)**
**11. Share capital**
**Authorised Share capital**
**Equity Shares**

|                                     | <b>Number</b>       | <b>Amount</b>    |
|-------------------------------------|---------------------|------------------|
| <b>At 31 March 2019</b>             | 35,50,00,000        | 35,500.00        |
| Increase/(decrease) during the year | 0                   | 0.00             |
| <b>At 31 March 2020</b>             | <b>35,50,00,000</b> | <b>35,500.00</b> |

**Issued Capital**
**Equity shares of Rs. 10/- each issued and fully paid**

|                                     | <b>Number</b>       | <b>Amount</b>    |
|-------------------------------------|---------------------|------------------|
| <b>At 31 March 2019</b>             | <b>27,65,99,137</b> | <b>27,659.91</b> |
| Increase/(decrease) during the year | 0                   | 0.00             |
| <b>At 31 March 2020</b>             | <b>27,65,99,137</b> | <b>27,659.91</b> |

"The company has only one class of equity shares having par value of Rs.10/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders"

**Details of shareholders holding more than 5% shares in the company**

| <b>Name of the Share Holder</b>                                     | <b>As at 31 March 2020</b> |                  | <b>As at 31 March 2019</b> |                  |
|---------------------------------------------------------------------|----------------------------|------------------|----------------------------|------------------|
|                                                                     | <b>No of Shares</b>        | <b>% holding</b> | <b>No of Shares</b>        | <b>% holding</b> |
| <i>Equity shares of INR10 each fully paid</i><br><i>HMT Limited</i> | <b>27,65,99,137</b>        | <b>100%</b>      | 27,65,99,137               | 100%             |

# STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2020

## 12. STATEMENT OF CHANGES IN EQUITY

### Statement of Changes in Equity

#### A. Equity Share Capital

| Equity shares of Rs. 10/- each issued, subscribed and fully paid | No.          | Rs. In Lakhs |
|------------------------------------------------------------------|--------------|--------------|
| <b>At 31 March 2019</b>                                          | 27,65,99,137 | 27,660       |
| Changes in equity share capital during the year                  | -            | -            |
| <b>At 31 March 2020</b>                                          | 27,65,99,137 | 27,660       |

#### B. Other Equity

| Particulars                                                                 | Other Equity         |                   |                                                       |                                           |                                                            |
|-----------------------------------------------------------------------------|----------------------|-------------------|-------------------------------------------------------|-------------------------------------------|------------------------------------------------------------|
|                                                                             | Reserves and Surplus |                   | Other Comprehensive income                            |                                           | Total equity attributable to equity holders of the company |
|                                                                             | Capital reserve      | Retained earnings | Equity Instruments through other comprehensive income | Other items of Other Comprehensive Income |                                                            |
|                                                                             | Amount               | Amount            | Amount                                                | Amount                                    | Amount                                                     |
| <b>Balance as of 1st April 2018</b>                                         | 2,271                | (1,49,119)        | -                                                     | (3,847)                                   | -                                                          |
| Change in Accounting Policy or Prior Period Error                           |                      |                   |                                                       |                                           | -                                                          |
| <b>Restated Balance as of 1st April 2018</b>                                | <b>2,271</b>         | <b>(1,49,119)</b> | <b>-</b>                                              | <b>(3,847)</b>                            | <b>(1,50,695)</b>                                          |
| Remeasurement of the net defined benefit liability/asset, net of tax effect |                      |                   |                                                       | -1,096                                    | -1,096                                                     |
| Profit for the period                                                       |                      | (6,383)           |                                                       |                                           | (6,383)                                                    |
| <b>At 31 March 2019</b>                                                     | <b>2,271</b>         | <b>(1,55,502)</b> | <b>-</b>                                              | <b>(4,944)</b>                            | <b>(1,58,175)</b>                                          |

| Particulars                                                                 | Other Equity         |                   |                                                       |                                           |                                                            |
|-----------------------------------------------------------------------------|----------------------|-------------------|-------------------------------------------------------|-------------------------------------------|------------------------------------------------------------|
|                                                                             | Reserves and Surplus |                   | Other Comprehensive income                            |                                           | Total equity attributable to equity holders of the company |
|                                                                             | Capital reserve      | Retained earnings | Equity Instruments through other comprehensive income | Other items of Other Comprehensive Income |                                                            |
|                                                                             | Amount               | Amount            | Amount                                                | Amount                                    | Amount                                                     |
| <b>Balance as of 1st April 2019</b>                                         | 2,271                | (1,55,502)        | -                                                     | (4,944)                                   | (1,58,175)                                                 |
| Change in Accounting Policy or Prior Period Error                           |                      |                   |                                                       |                                           | -                                                          |
| <b>Restated Balance as of 1st April 2019</b>                                | <b>2,271</b>         | <b>(1,55,502)</b> | <b>-</b>                                              | <b>(4,944)</b>                            | <b>(1,58,175)</b>                                          |
| Remeasurement of the net defined benefit liability/asset, net of tax effect |                      |                   |                                                       | (419)                                     | (419)                                                      |
| Profit for the period                                                       |                      | (9,872)           |                                                       |                                           | (9,872)                                                    |
| <b>At 31 March 2020</b>                                                     | <b>2,271</b>         | <b>(1,65,374)</b> | <b>-</b>                                              | <b>(5,362)</b>                            | <b>(1,68,465)</b>                                          |

For and on behalf of the Board

**(S.Girish Kumar)**  
Managing Director  
DIN:03385073

**(Harikumar M)**  
AGM (Finance)

**(Neelam S. Kumar)**  
Director  
DIN No. 08220197

**(Om Prakash Singh)**  
Company Secretary

As per our Report of Even date

**For M/s V R Murali & Co**  
Chartered Accountants  
FRN : 002178S

**(V.Ranganatha Murali)**  
Proprietor  
M.No.027051

Place : Bengaluru  
Date : 29.06.2020

## NOTES FORMING PART OF BALANCE SHEET

(Rs. In Lakhs)

|                                                                                                                                                                                                                                                                                                                                                                              | As at<br>31-Mar-20 | As at<br>31-Mar-19 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>13. Borrowings</b>                                                                                                                                                                                                                                                                                                                                                        |                    |                    |
| <b>Non-current</b>                                                                                                                                                                                                                                                                                                                                                           |                    |                    |
| <b>Unsecured</b>                                                                                                                                                                                                                                                                                                                                                             |                    |                    |
| <u>Loans from Government of India</u>                                                                                                                                                                                                                                                                                                                                        |                    |                    |
| Term Loan carrying rate of interest @ 7% (Bridge Loan - 1997 pay Scales) for a period of 5 years                                                                                                                                                                                                                                                                             | -                  | 634.00             |
| <b>Total Non-current borrowings</b>                                                                                                                                                                                                                                                                                                                                          | <b>-</b>           | <b>634.00</b>      |
| <b>Current</b>                                                                                                                                                                                                                                                                                                                                                               |                    |                    |
| <b>Secured</b>                                                                                                                                                                                                                                                                                                                                                               |                    |                    |
| Cash Credit                                                                                                                                                                                                                                                                                                                                                                  | 2,402.50           | 1,857.44           |
| Loan from holding company                                                                                                                                                                                                                                                                                                                                                    | 20,556.06          | 13,747.30          |
| <b>Net Current borrowings</b>                                                                                                                                                                                                                                                                                                                                                | <b>22,958.56</b>   | <b>15,604.74</b>   |
| <b>Aggregate Secured loans</b>                                                                                                                                                                                                                                                                                                                                               | <b>2,402.50</b>    | <b>1,857.44</b>    |
| <b>Aggregate Unsecured loans</b>                                                                                                                                                                                                                                                                                                                                             | <b>20,556.06</b>   | <b>14,381.30</b>   |
| Cash Credits as referred to above, are repayable on demand and are secured by hypothecation of entire current assets of the Company including inventories and Trade Receivables, by first charge and collateral security by way of equitable mortgage by deposit of title deed of the immovable property of the Company ranking pari passu inter-se the participating banks. |                    |                    |
| <b>14. Preference Share Capital</b>                                                                                                                                                                                                                                                                                                                                          |                    |                    |
| Preference Share Capital                                                                                                                                                                                                                                                                                                                                                     | -                  | -                  |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                                                 | <b>-</b>           | <b>-</b>           |
| <b>15. Govt. Grants</b>                                                                                                                                                                                                                                                                                                                                                      |                    |                    |
| Received during the year                                                                                                                                                                                                                                                                                                                                                     | -                  | -                  |
| <b>16. Provision for Employee benefits</b>                                                                                                                                                                                                                                                                                                                                   |                    |                    |
| <b>Non Current</b>                                                                                                                                                                                                                                                                                                                                                           |                    |                    |
| Gratuity                                                                                                                                                                                                                                                                                                                                                                     | 3,818.24           | 4,433.57           |
| Earned Leave Encashment                                                                                                                                                                                                                                                                                                                                                      | 1,263.76           | 1,335.37           |
| Settlement Allowance                                                                                                                                                                                                                                                                                                                                                         | 190.15             | 217.37             |
|                                                                                                                                                                                                                                                                                                                                                                              | <b>5,272.15</b>    | <b>5,986.31</b>    |

## NOTES FORMING PART OF BALANCE SHEET

(Rs. In Lakhs)

|                                                                                                         | As at<br>31-Mar-20 | As at<br>31-Mar-19 |
|---------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>Current</b>                                                                                          |                    |                    |
| Gratuity                                                                                                | 2,022.80           | 2,452.29           |
| Earned Leave Encashment                                                                                 | 566.63             | 679.46             |
| Settlement Allowance                                                                                    | 100.55             | 119.52             |
| Wage and Salary Revision (1992)                                                                         | 2,700.41           | 2,905.07           |
|                                                                                                         | <b>5,390.39</b>    | <b>6,156.34</b>    |
| <b>Total</b>                                                                                            | <b>10,662.54</b>   | <b>12,142.65</b>   |
| <b>17. Trade payables</b>                                                                               |                    |                    |
| Acceptances                                                                                             | 140.27             | 795.41             |
| Dues towards Goods purchased                                                                            | 7,724.07           | 6,413.84           |
| Dues to Micro, Small & Medium Enterprises                                                               | 116.40             | 99.55              |
| <b>Total</b>                                                                                            | <b>7,980.74</b>    | <b>7,308.80</b>    |
| <b>18. Other Financial Liabilities</b>                                                                  |                    |                    |
| Current maturities of long-term Debts                                                                   | 1,286.48           | 4,654.40           |
| 4,43,00,000 3.5% Redeemable Preference Shares of Rs.100/- each (Defaulted)                              | 44,300.00          | 44,300.00          |
| Term Loan for a period of 5 Yrs. (Statutory Dues 2006-07) carrying rate of interest @ 15.50%            | 7,033.61           | 6,354.22           |
| Term Loan for a period of 5 Yrs. (Capex 2006-07) carrying rate of interest @ 15.50%                     | 395.00             | 395.00             |
| Term Loan for a period of 5 Yrs. (VRS 2007-08 & 2008-09) carrying rate of interest @ 3.50%              | 4,001.19           | 4,001.19           |
| Term Loan for a period of 5 Yrs. (Statutory Dues 2012-13,13-14,14-15) carrying rate of interest @13.50% | 9,547.46           | 8,564.79           |
| Term Loan for a period of 5 Yrs. (Working Capital) carrying rate of interest @13.50%                    | 5,488.92           | 4,391.37           |
| Term Loan for a period of 5 Yrs. (Bridge Loan-1997 pay scales) carrying rate of interest @7.00%         | 7,100.15           | 5,857.83           |
| Interest accrued and due on borrowings                                                                  |                    |                    |
| Loans from Government of India                                                                          | 26,295.60          | 20,434.34          |
| Interest accrued but not due on borrowings                                                              |                    |                    |
| Government of India Loan                                                                                | 2,027.21           | 1,839.59           |
| <b>Total</b>                                                                                            | <b>1,07,475.62</b> | <b>1,00,792.72</b> |

## NOTES FORMING PART OF BALANCE SHEET

**(Rs. In Lakhs)**

|                                                                | <b>As at<br/>31-Mar-20</b> | <b>As at<br/>31-Mar-19</b> |
|----------------------------------------------------------------|----------------------------|----------------------------|
| <b>19. Other Liabilities</b>                                   |                            |                            |
| <b>Non Current</b>                                             |                            |                            |
| Security deposit - OBS                                         |                            |                            |
| <b>Current</b>                                                 |                            |                            |
| - Machine Tools Bangalore Complex (MBX)                        | <b>21,662.82</b>           | 20,342.78                  |
| - Machine Tools Division, Pinjore (MTP)                        | <b>16,888.06</b>           | 15,543.21                  |
| - Machine Tools Division, Kalamassary (MTK)                    | <b>446.16</b>              | 1,670.94                   |
| - Machine Tools Division, Hyderabad (MTH)                      | <b>16,462.47</b>           | 17,316.03                  |
| - HMT Praga Tools, Hyderabad (PTH)                             | <b>10,053.35</b>           | 9,747.06                   |
| - Machine Tools Division, Ajmer (MTA)                          | <b>4,163.35</b>            | 4,163.37                   |
| - Machine Tools Marketing Division, Bangalore (MTMD)           | <b>2,839.92</b>            | 3,069.73                   |
| - Machine Tools Directorate , Bangalore (MTD)                  | <b>-72,447.41</b>          | -71,784.41                 |
| - Machine Tools Directorate , Bangalore (MTD)-Res & Surp (Dep) | <b>-68.72</b>              | -68.72                     |
| Dues to Holding Company and its subsidiaries                   |                            |                            |
| HMT Ltd                                                        | <b>4,506.68</b>            | 1,258.07                   |
| HMT Watches Ltd                                                | <b>131.20</b>              | 122.64                     |
| HMT Chinara Watches Ltd                                        | -                          | 181.85                     |
| HMT (International) Ltd                                        | <b>233.77</b>              | 148.87                     |
| HMT Bearings Ltd                                               | -                          | 1,571.52                   |
| EMD Deposit Received                                           | <b>30.05</b>               | 82.97                      |
| Revenue received in advance                                    | <b>5,743.13</b>            | 5,592.82                   |
| Sundry Creditors- Dues                                         | <b>3,066.86</b>            | 3,459.34                   |
| Other Liabilities                                              | <b>21,489.65</b>           | 24,416.23                  |
| <b>Total</b>                                                   | <b>35,201.34</b>           | <b>36,834.30</b>           |

## 20. Provisions - others

**(Rs. In Lakhs)**

|                         | <b>Warranty Claims</b> | <b>Provision for pay/<br/>wage revision</b> | <b>Total</b>  |
|-------------------------|------------------------|---------------------------------------------|---------------|
| <b>At 1 April 2019</b>  | <b>71.76</b>           | <b>110.13</b>                               | <b>181.89</b> |
| Arising during the year | 65.45                  | <b>0.27</b>                                 |               |
| Utilised                | (43.57)                | 0.00                                        |               |
| Unused amounts reversed | (16.59)                | -                                           |               |
| <b>At 31 March 2020</b> | <b>77.06</b>           | <b>110.40</b>                               | <b>187.46</b> |
| Current                 | 77.06                  | 110.40                                      | 187.46        |
| <b>At 1 April 2018</b>  | <b>80.94</b>           | <b>110.14</b>                               | <b>191.08</b> |
| Arising during the year | 66.90                  | 0.25                                        |               |
| Utilised                | (35.37)                | (0.27)                                      |               |
| Unused amounts reversed | (40.71)                | -                                           |               |
| <b>At 31 March 2019</b> | <b>71.76</b>           | <b>110.13</b>                               | <b>181.89</b> |
| Current                 | 71.76                  | 110.13                                      | 181.89        |
| Non-current             |                        |                                             |               |

# NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(Rs. In Lakhs)

|                                                | For the Year Ended |                  |
|------------------------------------------------|--------------------|------------------|
|                                                | 31-Mar-20          | 31-Mar-19        |
| <b>21. Revenue from Operations</b>             |                    |                  |
| <b>Sale of Products</b>                        |                    |                  |
| Sale of Machine Tools                          | 16,064.95          | 19,550.20        |
| Sales of Accessories                           | 446.61             | 819.50           |
| Less: Sales returns                            | -                  | -                |
|                                                | <b>16,511.55</b>   | <b>20,369.70</b> |
| <b>Sale of Services</b>                        |                    |                  |
| Sundry Jobs and Miscellaneous Sales            | 818.74             | 990.89           |
| Packing / Forwarding charges                   | 77.91              | 87.87            |
| Sale of services                               | 214.98             | 292.57           |
|                                                | <b>1,111.63</b>    | <b>1,371.33</b>  |
| <b>Revenue from Operations</b>                 | <b>17,623.18</b>   | <b>21,741.03</b> |
| <b>22. Other income</b>                        |                    |                  |
| <b>A. Other Income</b>                         |                    |                  |
| Recoveries from Staff/Others                   | 53.40              | 147.57           |
| Interest Income                                | 8.39               | 19.29            |
| Rent Received                                  | 449.16             | 541.60           |
| Conveyance Recovered                           | 0.01               | 0.00             |
| Water Charges Recovered                        | 0.27               | 0.31             |
| Electricity Charges Recovered                  | 7.28               | 7.83             |
| Miscellaneous Income                           | 466.53             | 692.47           |
| Gains on Sale of Property, Plant and Equipment | 67.11              | 137.89           |
| Provisions Withdrawn                           | 188.35             | 216.36           |
| Sale of scrap                                  | 125.80             | 42.20            |
| Training expenses recovered                    | 11.74              | 22.28            |
| Creditors Written off                          | 3.95               | 45.67            |
| <b>Total (A)</b>                               | <b>1,381.97</b>    | <b>1,873.47</b>  |
| <b>B. Interest Income</b>                      |                    |                  |
| Interest income on Bank Deposits               | 190.51             | 162.81           |
| Interest from Dealers/Others                   | 4.58               | 4.82             |
| Interest Income- Others                        | -                  | -                |
| <b>Total (B)</b>                               | <b>195.09</b>      | <b>167.64</b>    |
| <b>Total Other Income (A+B)</b>                | <b>1,577.06</b>    | <b>2,041.11</b>  |

# NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(Rs. In Lakhs)

|                                                          | For the Year Ended |                  |
|----------------------------------------------------------|--------------------|------------------|
|                                                          | 31-Mar-20          | 31-Mar-19        |
| <b>23 Cost of Raw Materials Consumed</b>                 |                    |                  |
| Raw materials and Components                             |                    |                  |
| Inventory at the beginning of the year                   | 2,135.31           | 1,502.54         |
| Add: Purchases                                           | 7,293.66           | 6,488.07         |
|                                                          | <b>9,428.97</b>    | <b>7,990.61</b>  |
| Add/(Less): Inter Factory Transfer                       | -109.52            | 90.92            |
| Less: Inventory at the end of the year                   | 2,476.16           | 2,135.31         |
| Cost of Raw material and Components consumed             | <b>7,062.33</b>    | <b>5,764.38</b>  |
| Consumption of Stores, Spares, Tools & Packing Materials | 2,004.71           | 3,128.95         |
| Total Raw materials and Components consumed              | <b>9,067.05</b>    | <b>8,893.33</b>  |
| <b>24. Changes in Inventory</b>                          |                    |                  |
| <b>Finished Goods</b>                                    |                    |                  |
| Inventory at the beginning of the year                   | 5,070.85           | 3,895.80         |
| Less: inventory at the end of the year                   | 8,891.16           | 5,070.85         |
| <b>Changes in Inventory</b>                              | <b>-3,820.32</b>   | <b>-1,175.05</b> |
| <b>Work in Progress</b>                                  |                    |                  |
| Inventory at the beginning of the year                   | 6,259.32           | 4,881.84         |
| Less: Inventory at the end of the year                   | 5,904.20           | 6,259.32         |
| <b>Changes in Inventory</b>                              | <b>355.13</b>      | <b>-1,377.48</b> |
| <b>Stock in Trade</b>                                    |                    |                  |
| Inventory at the beginning of the year                   | -                  | -                |
| Less: Inventory at the end of the year                   | -                  | -                |
| <b>Changes in Inventory</b>                              | <b>-</b>           | <b>-</b>         |
| <b>Goods In Transit</b>                                  |                    |                  |
| Inventory at the beginning of the year                   | 268.93             | 279.84           |
| Less: Inventory at the end of the year                   | -                  | 268.93           |
| <b>Changes in Inventory</b>                              | <b>268.93</b>      | <b>10.90</b>     |
| <b>Scrap</b>                                             |                    |                  |
| Inventory at the beginning of the year                   | 89.00              | 23.49            |
| Less: Inventory at the end of the year                   | 214.15             | 89.00            |
| <b>Changes in Inventory</b>                              | <b>-125.15</b>     | <b>-65.51</b>    |
| <b>Total</b>                                             | <b>-3,321.40</b>   | <b>-2,607.13</b> |

# NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(Rs. In Lakhs)

|                                                     | For the Year Ended |                  |
|-----------------------------------------------------|--------------------|------------------|
|                                                     | 31-Mar-20          | 31-Mar-19        |
| <b>25. Excise Duty on Sale of Finished Goods</b>    |                    |                  |
| Excise duty on sale of goods                        | -                  | -                |
|                                                     | -                  | -                |
| <b>26. Changes in Excise Duty on Finished Goods</b> |                    |                  |
| Excise Duty on Opening Inventory                    | -                  | 14.94            |
| Excise Duty on Closing Inventory                    | -                  | -                |
|                                                     | -                  | <b>14.94</b>     |
| <b>27. Employee benefits expenses</b>               |                    |                  |
| Salaries, Wages and Bonus                           | 6,886.51           | 7,285.59         |
| House Rent Allowance                                | 278.53             | 345.70           |
| Gratuity                                            | 736.79             | 1,041.22         |
| Contribution to PF & FPS                            | 633.74             | 709.41           |
| Deposit Linked Insurance                            | 45.96              | 61.68            |
| Contribution to ESI                                 | 8.68               | 18.40            |
| Welfare Expenses                                    | 1,688.45           | 1,588.72         |
|                                                     | <b>10,278.66</b>   | <b>11,050.72</b> |
| <b>28. Depreciation and Amortization</b>            |                    |                  |
| Depreciation of Property, Plant and Equipment       | 771.92             | 883.58           |
| Amortization of Intangible assets                   | 140.61             | -                |
| Depreciation on Investment Properties               | 0.43               | 0.43             |
|                                                     | <b>912.96</b>      | <b>884.01</b>    |
| <b>29. Finance costs</b>                            |                    |                  |
| Government of India Loans                           | 6,048.89           | 5,771.45         |
| Cash Credit loans from Banks                        | 465.77             | 402.92           |
| Loans from Bank                                     | -                  | -                |
| Interest on Inter Corporate Loan                    | 1,431.86           | 673.29           |
| Interest on Bonds                                   | 15.72              | 15.72            |
| Others                                              | 4.57               | -                |
| <b>Other Borrowing Cost</b>                         |                    |                  |
| Finance Charges                                     | -                  | -                |
| Discounting Charges                                 | -                  | -                |
| <b>Total Finance costs</b>                          | <b>7,966.81</b>    | <b>6,863.39</b>  |

# NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(Rs. In Lakhs)

|                                                 | For the Year Ended |           |
|-------------------------------------------------|--------------------|-----------|
|                                                 | 31-Mar-20          | 31-Mar-19 |
| <b>30. Other expenses</b>                       |                    |           |
| <b>Manufacturing Expenses</b>                   |                    |           |
| Power and Fuel                                  | 850.44             | 891.99    |
| Guest House Expenses                            | 0.72               | 0.92      |
| Provision for Non Moving Inventories            | 37.80              | 31.50     |
| Selling & Distribution Expenses                 | -                  | -         |
| Advertisement and Publicity                     | 5.96               | 23.30     |
| Carriage outwards                               | 10.84              | 5.35      |
| Rent                                            | 28.61              | 33.35     |
| Rates and Taxes                                 | 117.02             | 107.86    |
| Insurance                                       | 15.99              | 17.31     |
| Service Charges Paid                            | 95.68              | 116.92    |
| Training Expenses - Skill Development           | -                  | 0.06      |
| Water and Electricity                           | 144.16             | 216.26    |
| Repairs to building                             | 33.32              | 36.40     |
| Repairs to machinery                            | 49.44              | 68.23     |
| Printing and Stationery                         | 34.37              | 36.19     |
| Conference , Seminars and Training              | 1.48               | 2.89      |
| Auditors Remuneration #                         | 6.99               | 7.08      |
| Provision for Doubtful Debts,Loans and Advances | 357.85             | 399.46    |
| Warranty claims                                 | 96.18              | 55.78     |
| Interest on delayed payment of statutory dues   | 5.50               | 6.40      |
| Travelling Expenses                             | 124.81             | 159.19    |
| Exchange Difference                             | 44.17              | -18.96    |
| Interest On Others                              | 61.30              | 129.80    |
| Bank Charges                                    | 164.23             | 149.36    |
| Interest on delayed remittance                  | 162.12             | 252.54    |
| Remb of Exp - Holding Company                   | 59.33              | 12.37     |

## NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(Rs. In Lakhs)

|                                       | For the Year Ended |                 |
|---------------------------------------|--------------------|-----------------|
|                                       | 31-Mar-20          | 31-Mar-19       |
| Other Expenses                        | 1,936.59           | 2,408.89        |
|                                       | <b>4,444.91</b>    | <b>5,150.43</b> |
| For Statutory auditor                 | 4.30               | 4.53            |
| For taxation matters                  | 1.03               | 1.19            |
| Cost audit fee and expenses           | 1.66               | 1.36            |
|                                       | <b>6.99</b>        | <b>7.08</b>     |
| <b>31. Jobs Done for Internal Use</b> |                    |                 |
| Shop manufactured Special Tools       | 276.95             | 84.13           |
|                                       | <b>276.95</b>      | <b>84.13</b>    |

### 32. Earnings per share (EPS)

| Particulars                                                                                    | 31-Mar-20<br>Rs. In Lakhs | 31-Mar-19<br>Rs. In Lakhs |
|------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| Profit attributable to Equity holders:                                                         |                           |                           |
| Continuing Operations                                                                          | ₹ (9,871.80)              | ₹ (6,383.42)              |
| Discontinued Operations                                                                        |                           |                           |
| <b>Profit attributable to Equity holders for basic earnings</b>                                | <b>₹ (9,871.80)</b>       | <b>₹ (6,383.42)</b>       |
| Interest on convertible Preference shares                                                      |                           |                           |
| <b>Profit attributable to Equity holders of the parent adjusted for the effect of dilution</b> | <b>₹ (9,871.80)</b>       | <b>₹ (6,383.42)</b>       |
| Weighted average number of Equity shares for basic EPS*                                        | 27,65,99,137              | 27,65,99,137              |
| Effect of dilution:                                                                            |                           |                           |
| Convertible preference shares                                                                  |                           |                           |
| <b>Weighted average number of Equity shares adjusted for the effect of dilution *</b>          | <b>27,65,99,137</b>       | <b>27,65,99,137</b>       |
| <b>Earnings per share for continuing operations</b>                                            |                           |                           |
| Basic, profit from continuing operations attributable to equity holders of the parent          | ₹ (3.57)                  | ₹ (2.31)                  |
| Diluted, profit from continuing operations attributable to equity holders of the parent        | ₹ (3.57)                  | ₹ (2.31)                  |

\* There have been no other transactions involving Equity shares or potential Equity shares between the reporting date and the date of authorisation of these financial statements.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

The principal assumptions used in determining gratuity and post-employment benefits obligations for the company's plan is shown below

|                          | 31-Mar-20<br>% | 31-Mar-19<br>% |
|--------------------------|----------------|----------------|
| Discount rate:           |                |                |
| Gratuity plan            | 6.33           | 7.25           |
| Settlement Allowance     | 6.33           | 7.25           |
| Earned Leave Encashment  | 6.33           | 7.25           |
| Future salary increases: |                |                |
| Gratuity plan            | 7.00           | 7.00           |
| Settlement Allowance     | 7.00           | 7.00           |
| Earned Leave Encashment  | 7.00           | 7.00           |

| Summary of Demographic Assumptions                                  | Gratuity Plan |           | Settlement Allowance |           | Leave Encashment |           |
|---------------------------------------------------------------------|---------------|-----------|----------------------|-----------|------------------|-----------|
|                                                                     | 31-Mar-20     | 31-Mar-19 | 31-Mar-20            | 31-Mar-19 | 31-Mar-20        | 31-Mar-19 |
| Mortality Rate (as % of IALM (2006-08) (Mod.) Ult. Mortality Table) | 100%          | 100%      | 100%                 | 100%      | 100%             | 100%      |
| Disability Rate (as % of above mortality rate)                      | 5%            | 5%        | 5%                   | 5%        | 0%               | 0%        |
| Withdrawal Rate                                                     | 1% to 3%      | 1% to 3%  | 1% to 3%             | 1% to 3%  | 1% to 3%         | 1% to 3%  |
| Attrition Rate                                                      |               |           |                      |           |                  |           |
| Normal Retirement Age                                               | 58yrs         | 58yrs     | 58yrs                | 58yrs     | 58yrs            | 58yrs     |
| Average Future Service                                              | 9.90          | 8.98      | 9.90                 | 8.98      |                  |           |
| Leave Encashment Rate during employment                             |               |           |                      |           | 1% to 3%         | 1% to 3%  |
| Leave Availment Rate                                                |               |           |                      |           | 1%               | 1%        |

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### Defined Benefit Obligations

The cost of the defined benefit gratuity plan, Earned Leave Encashment and Settlement Allowance and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

#### A. Gratuity

31 March 2020 changes in the defined benefit obligation and fair value of plan assets

| Particulars                             |              |                      |                                      |                                                            |                                                                            |                                                                   |                                                                 |                        |                           |                           |              |  |
|-----------------------------------------|--------------|----------------------|--------------------------------------|------------------------------------------------------------|----------------------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------|------------------------|---------------------------|---------------------------|--------------|--|
| Gratuity cost charged to profit or loss |              |                      |                                      | Remeasurement gains/(losses) in other comprehensive income |                                                                            |                                                                   |                                                                 |                        |                           |                           |              |  |
| 01-Apr-19                               | Service cost | Net interest expense | Sub-total included in profit or loss | Benefits paid                                              | Return on plan assets (excluding amounts included in net interest expense) | Actuarial changes arising from changes in demographic assumptions | Actuarial changes arising from changes in financial assumptions | Experience adjustments | Sub-total included in OCI | Contributions by employer | 31-Mar-20    |  |
| Rs. In Lakhs                            | Rs. In Lakhs | Rs. In Lakhs         | Rs. In Lakhs                         | Rs. In Lakhs                                               | Rs. In Lakhs                                                               | Rs. In Lakhs                                                      | Rs. In Lakhs                                                    | Rs. In Lakhs           | Rs. In Lakhs              | Rs. In Lakhs              | Rs. In Lakhs |  |
| Defined benefit obligation              | (7,952.47)   | (184.43)             | (371.32)                             | (555.75)                                                   | 1,968.54                                                                   |                                                                   | -168.48                                                         | (309.98)               | (478.46)                  |                           | (7,018.14)   |  |
| Fair value of plan assets               | 1,066.61     | 80.35                | 80.35                                |                                                            | 29.64                                                                      |                                                                   |                                                                 |                        | 29.64                     | 1,969.04                  | 1,177.10     |  |
| Benefit liability                       | (6,885.86)   |                      |                                      | (475.40)                                                   | 0.00                                                                       | 29.64                                                             | (168.48)                                                        | (309.98)               | (448.82)                  | 1,969.04                  | (5,841.04)   |  |

31 March 2019 changes in the defined benefit obligation and fair value of plan assets

| Gratuity cost charged to profit or loss |              |                      | Remeasurement gains/(losses) in other comprehensive income |               |                                                                            |                                                                   |                                                                 |                        |                           |                           |              |
|-----------------------------------------|--------------|----------------------|------------------------------------------------------------|---------------|----------------------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------|------------------------|---------------------------|---------------------------|--------------|
| 01-Apr-18                               | Service cost | Net interest expense | Sub-total included in profit or loss                       | Benefits paid | Return on plan assets (excluding amounts included in net interest expense) | Actuarial changes arising from changes in demographic assumptions | Actuarial changes arising from changes in financial assumptions | Experience adjustments | Sub-total included in OCI | Contributions by employer | 31-Mar-19    |
|                                         | Rs. In Lakhs | Rs. In Lakhs         | Rs. In Lakhs                                               | Rs. In Lakhs  | Rs. In Lakhs                                                               | Rs. In Lakhs                                                      | Rs. In Lakhs                                                    | Rs. In Lakhs           | Rs. In Lakhs              | Rs. In Lakhs              | Rs. In Lakhs |
| Defined benefit obligation              | (8,000.46)   | (186.88)             | (843.57)                                                   | (1,030.45)    | 2,133.36                                                                   |                                                                   | -52.58                                                          | (1,002.34)             | -1,054.92                 |                           | (7,952.47)   |
| Fair value of plan assets               | 1,148.20     |                      | 86.11                                                      | 86.11         | (11.70)                                                                    |                                                                   |                                                                 |                        | -11.70                    | 1,977.36                  | 1,066.61     |
|                                         |              |                      |                                                            |               | (2,133.36)                                                                 |                                                                   |                                                                 |                        |                           |                           |              |
| Benefit liability                       | (6,852.26)   |                      |                                                            | (944.34)      | 0.00                                                                       |                                                                   |                                                                 |                        | -1,066.62                 | 1,977.36                  | (6,885.86)   |



## 86

## Allowance

31 March 2020 changes in the defined benefit obligation and fair value of plan assets

|                            | Defined Benefit cost charged to profit or loss |                |                      | Remeasurement gains/(losses) in other comprehensive income |               |                                                                            |                                                                   |                                                                 |                        |                           |                           |                 |
|----------------------------|------------------------------------------------|----------------|----------------------|------------------------------------------------------------|---------------|----------------------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------|------------------------|---------------------------|---------------------------|-----------------|
|                            | 01-Apr-19                                      | Service cost   | Net interest expense | Sub-total included in profit or loss                       | Benefits paid | Return on plan assets (excluding amounts included in net interest expense) | Actuarial changes arising from changes in demographic assumptions | Actuarial changes arising from changes in financial assumptions | Experience adjustments | Sub-total included in OCI | Contributions by employer | 31-Mar-20       |
|                            | Rs. In Lakhs                                   | Rs. In Lakhs   | Rs. In Lakhs         | Rs. In Lakhs                                               | Rs. In Lakhs  | Rs. In Lakhs                                                               | Rs. In Lakhs                                                      | Rs. In Lakhs                                                    | Rs. In Lakhs           | Rs. In Lakhs              | Rs. In Lakhs              | Rs. In Lakhs    |
| Defined benefit obligation | (336.88)                                       | (29.99)        | (20.09)              | (50.08)                                                    | 102.09        | 0.00                                                                       | 0.00                                                              |                                                                 | 2.61                   | (5.83)                    |                           | (290.70)        |
| Fair value of plan assets  | 0.00                                           |                |                      |                                                            |               |                                                                            |                                                                   | -8.44                                                           |                        |                           |                           | 0.00            |
| <b>Benefit liability</b>   | <b>(336.88)</b>                                | <b>(29.99)</b> | <b>(20.09)</b>       | <b>(50.08)</b>                                             | <b>102.09</b> | <b>0.00</b>                                                                | <b>0.00</b>                                                       | <b>(8.44)</b>                                                   | <b>2.61</b>            | <b>(5.83)</b>             | <b>0.00</b>               | <b>(290.70)</b> |

31 March 2019  
changes in the  
defined benefit  
obligation and fair  
value of plan assets

|                            | Defined Benefit cost charged to profit or loss |              |                      | Remeasurement gains/(losses) in other comprehensive income |               |                                                                            |                                                                   |                                                                 |                        |                           |                           |                 |
|----------------------------|------------------------------------------------|--------------|----------------------|------------------------------------------------------------|---------------|----------------------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------|------------------------|---------------------------|---------------------------|-----------------|
|                            | 01-Apr-18                                      | Service cost | Net interest expense | Sub-total included in profit or loss                       | Benefits paid | Return on plan assets (excluding amounts included in net interest expense) | Actuarial changes arising from changes in demographic assumptions | Actuarial changes arising from changes in financial assumptions | Experience adjustments | Sub-total included in OCI | Contributions by employer | 31-Mar-19       |
|                            | Rs. In Lakhs                                   | Rs. In Lakhs | Rs. In Lakhs         | Rs. In Lakhs                                               | Rs. In Lakhs  | Rs. In Lakhs                                                               | Rs. In Lakhs                                                      | Rs. In Lakhs                                                    | Rs. In Lakhs           | Rs. In Lakhs              | Rs. In Lakhs              | Rs. In Lakhs    |
| Defined benefit obligation | (386.94)                                       | (33.65)      | (24.56)              | (58.21)                                                    | 138.10        | 0.27                                                                       |                                                                   |                                                                 | (27.44)                | (29.86)                   |                           | (336.88)        |
| Fair value of plan assets  | 0                                              |              |                      |                                                            |               |                                                                            | -2.69                                                             |                                                                 |                        |                           |                           | 0.00            |
| <b>Benefit liability</b>   | <b>(386.94)</b>                                |              |                      | <b>(58.21)</b>                                             | <b>138.10</b> | <b>0.00</b>                                                                | <b>0.27</b>                                                       | <b>(2.69)</b>                                                   | <b>(27.44)</b>         | <b>(29.86)</b>            | <b>0.00</b>               | <b>(336.88)</b> |

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### Sensitivity analysis:

The key actuarial assumptions to which the defined benefit plans are particularly sensitive to are discount rate and fully salary escalation rate. The following table summarises the impact on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the assumptions by 100 basis points:

| (i) Gratuity                 | Particulars                       | As at 31 March 2020 |          | As at 31 March 2019 |          |
|------------------------------|-----------------------------------|---------------------|----------|---------------------|----------|
|                              |                                   | Decrease            | Increase | Decrease            | Increase |
|                              | Change in Discounting rate        | 211.54              | 187.06   | 329.41              | 289.88   |
|                              | Change in rate of salary increase | 141.83              | 159.78   | 244.00              | 268.02   |
|                              | Change in withdrawal rates        | 6.26                | 8.21     | 27.01               | 33.85    |
| (Rs. In Lakhs)               |                                   |                     |          |                     |          |
| (ii) Settlement Allowance    | Particulars                       | As at 31 March 2020 |          | As at 31 March 2019 |          |
|                              |                                   | Decrease            | Increase | Decrease            | Increase |
|                              | Change in Discounting rate        | 10.41               | 9.32     | 16.84               | 15.41    |
|                              | Change in rate of salary increase | 9.43                | 11.06    | 14.64               | 16.26    |
|                              | Change in withdrawal rates        | 12.10               | 10.94    | 1.00                | 0.73     |
| (Rs. In Lakhs)               |                                   |                     |          |                     |          |
| (ii) Earned Leave Encashment | Particulars                       | As at 31 March 2020 |          | As at 31 March 2019 |          |
|                              |                                   | Decrease            | Increase | Decrease            | Increase |
|                              | Change in Discounting rate        | 77.22               | 74.90    | 84.33               | 78.90    |
|                              | Change in rate of salary increase | 88.82               | 91.71    | 77.10               | 81.83    |
|                              | Change in Attrition Rates         | 2.61                | 2.21     | 3.41                | 1.92     |
| (Rs. In Lakhs)               |                                   |                     |          |                     |          |

## Segment reporting

|                                                                   | (Rs. In Lakhs)  |                 |
|-------------------------------------------------------------------|-----------------|-----------------|
|                                                                   | 31-Mar-20       | 31-Mar-19       |
| <b>Revenue from external customers</b>                            |                 |                 |
| India                                                             | 3,401.00        | 2,348.22        |
| Outside India                                                     |                 |                 |
| <b>Total revenue per consolidated Statement of profit or loss</b> | <b>3,401.00</b> | <b>2,348.22</b> |

The revenue information above is based on the locations of the customers.

Revenue from one customer amounted to 3401 Lakhs which is exceeding 10% of the revenue from operations for the year ended 31st March 2020.

Revenue from one customer amounted to 2348.22 Lakhs which is exceeding 10% of the revenue from operations for the year ended 31st March 2019.

## NOTES FORMING PART OF BALANCE SHEET

### Contingent Liabilities

#### 1) Claims against the company not acknowledged as debt;

##### "Others"

(₹ in Lakhs)

| Sl. no. | Class of Cases                                                                                                                                                                | Nature of Cases * **                                                                                                                                            | Amount           |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| 1       | Central Excise Department                                                                                                                                                     | Demands Notice towards reversal of provisions for slow/non-moving Inventory provided for                                                                        | 324.22           |
| 2       | PF / EPS / ESI Cases                                                                                                                                                          | Demands raised by PF / EPS / ESI Authorities                                                                                                                    | 4,298.68         |
| 3       | Stamp Duty/ Registration Charges                                                                                                                                              | Order towards Stamp duty and Registration Charges on differential value of land - Appeal Filed                                                                  | 17.55            |
| 4       | A.P. Central Power Distribution Corporation Limited & Water Board                                                                                                             | Amount claimed towards development charges, appeal pending with Andhra Pradesh Electricity Regulatory Commission.                                               | 136.48           |
| 5       | Risk purchase claim by GAIL                                                                                                                                                   | Claims towards risk purchase clause by GAIL of the year 1996-97                                                                                                 | 8.09             |
| 6       | Motor Accident Case                                                                                                                                                           | Cases of accident by our vehicle causing injuries to 3rd parties in which HMT is a third party in all these cases because insurance Co. is defending the cases. | 16.71            |
| 7       | Suppliers Claim                                                                                                                                                               | Disputed claims relating to supply of Material, its payment                                                                                                     | 124.75           |
| 8       | Employees Co-op. Society                                                                                                                                                      | Interest on loan recoveries                                                                                                                                     | 35.96            |
| 9       | Customer Claim                                                                                                                                                                | Customer / Court cases                                                                                                                                          | 1,447.11         |
| 10      | Non - provision towards penal interest on unpaid contributions under employees family pension scheme in respect of Praga Tools division, Hyderabad as per directives of BIFR. | PF Authorities                                                                                                                                                  | 2,060.07         |
| 11      | Gratuity Cases& Interest                                                                                                                                                      | Cases filed before ALC (Central) Hyd                                                                                                                            | 1,508.15         |
| 12      | Goods & Service Tax                                                                                                                                                           | GST on GST interest                                                                                                                                             | 208.07           |
|         | <b>Total</b>                                                                                                                                                                  |                                                                                                                                                                 | <b>10,185.85</b> |

\* Indicate whether it relates to Central Excise, Sales Tax etc.,

\*\* Brief description of the case

## Fair Values

The management assessed that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Fair Value of Other Financial Assets and Borrowing approximate to carrying value since the interest received/payable is the same as the effective rate of interest.

Preference Share Capital was issued in the year 2007 and was redeemable within 3 years. Hence, the equity component of Preference Share Capital is already amortised fully to the Financial Liability, thereby the Fair value approximates the carrying value.

Each Redeemable Preference Shares has a par value of Rs.100/- per share and is redeemable after 3 years. The preference shares carry a dividend of 3.5% per annum and conversion of cumulative dividend into equity shares on accrual. The dividend rights are cumulative. The preference shares rank ahead of the equity shares in the event of a liquidation.

3.5% Redeemable Preference Shares the revival Plan sanctioned to the Company vide sanction No F.No.5.1(1)/2005.PE.X dated 29 March 2007 has specified for redemption of Preference Share Capital out of sale proceeds of the identified surplus assets of HMT Machine Tools Ltd. Since the sale of identified assets has not taken place which is pre-condition for redemption, remaining 3.5% Redeemable Preference Share Capital is not redeemed .

**NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH 2020**

| <b>PARTICULARS</b> |                                                                                                                                                                                                                                                                                              | <b>As at<br/>31.03.2020</b> | <b>As at<br/>31.03.2019</b> |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| 6                  | Claims against the Company not Acknowledged as debts                                                                                                                                                                                                                                         |                             |                             |
|                    | A. Tax related Claims pending in appeal                                                                                                                                                                                                                                                      |                             |                             |
|                    | i) Excise Duty                                                                                                                                                                                                                                                                               | <b>32.31</b>                | 59.66                       |
|                    | ii) Sales Tax                                                                                                                                                                                                                                                                                | <b>90.11</b>                | 90.11                       |
|                    | iii) Property Tax                                                                                                                                                                                                                                                                            | <b>4,055.02</b>             | 6,706.38                    |
|                    | iv) Disputed Income Tax                                                                                                                                                                                                                                                                      | -                           | -                           |
|                    | B. Employee related claims relating to lockouts, back wages, incentive & Annual bonus etc., pending adjudication, to the extent ascertainable                                                                                                                                                | <b>456.63</b>               | 466.22                      |
|                    | C. Others ( As shown in Annexure-A)                                                                                                                                                                                                                                                          | <b>10,185.85</b>            | 7,260.25                    |
| 6.1                | Measne profit liability, if any in respect of mumbai office premises pending final decision of the Court                                                                                                                                                                                     | <b>39.20</b>                | 39.20                       |
| 6.2                | Non receipt of related forms against levy of concessional sales Tax                                                                                                                                                                                                                          | <b>92.90</b>                | 282.69                      |
| 6.3                | Estimated amount of contracts remaining to be executed on capital account and not provide for                                                                                                                                                                                                | <b>922.53</b>               | 1,128.00                    |
| 7                  | Include Excise Duty paid / payable on Closing Stock of Finished Goods as per the Guidance Note on Accounting Treatment for Excise Duty issued by the Institute of Chartered Accountants of India with effect from 1.4.1999. However this has no effect on the working results of the Company | -                           | -                           |
| 7.1                | Includes usable, slow/non moving and surplus stores and materials/ Work-in-Progress and Stock-in-Trade:                                                                                                                                                                                      | <b>409.97</b>               | 681.57                      |
| <b>8</b>           | <b>Trade Receivables include:</b>                                                                                                                                                                                                                                                            |                             |                             |
| 8.1                | Dues towards erection and commissioning for a period exceeding one year.                                                                                                                                                                                                                     | <b>324.96</b>               | 304.66                      |
| <b>9</b>           | <b>Advance include:</b>                                                                                                                                                                                                                                                                      | -                           | -                           |
| 9.1                | Amounts recoverable from employees, advances, bonus etc., pending adjudication /negotiations.                                                                                                                                                                                                | <b>2.81</b>                 | 2.81                        |
| 9.2                | Amount paid by way of Adhoc to employees towards wage/salary/ DA revision arrears, if any, pending adjustment for which necessary provision has been made in the accounts.                                                                                                                   | <b>1,493.54</b>             | 1,581.48                    |
| <b>10</b>          | <b>Current liabilities</b>                                                                                                                                                                                                                                                                   | -                           | -                           |
| 10.1               | Dues to Micro and small enterprises based on the information available with the Company                                                                                                                                                                                                      | -                           | -                           |
| a                  | i) Principal                                                                                                                                                                                                                                                                                 | <b>116.40</b>               | 99.54                       |
|                    | ii) interest                                                                                                                                                                                                                                                                                 | <b>31.45</b>                | 26.79                       |
| b                  | Amount of Interest paid                                                                                                                                                                                                                                                                      | <b>28.04</b>                | 0.07                        |
| c                  | Amount of interest accrued and remaining unpaid at the end of each accounting year                                                                                                                                                                                                           | <b>62.77</b>                | 58.60                       |

**NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT 31ST MARCH 2020**

| PARTICULARS                                                                                                                                                            | As at      | As at      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
|                                                                                                                                                                        | 31.03.2020 | 31.03.2019 |
| 12 Balances under 'Trade Receivables', 'Loans & Advances' and 'Trade Payables' are subject to confirmation, although confirmation has been sought in most of the cases | -          | -          |

**STATEMENT OF PROFIT AND LOSS**
**Sales**

|                                                                                                                                                                                                                                                                                         |               |        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|--------|
| 13 Sales are net of Sales Returns<br>(Sales returns for the year)                                                                                                                                                                                                                       | -             | -      |
| 14 Value of Specl Tools individually costing less than Rs. 750/- written off during the year                                                                                                                                                                                            | -             | -      |
| 15 Expenditure on Research & Development                                                                                                                                                                                                                                                | <b>112.90</b> | 153.19 |
| 16 Individual item under Misc. Income exceeds 1% of the turnover of the unit and hence shown seperately in Annexure 1                                                                                                                                                                   | <b>260.66</b> | 688.91 |
| 17 Previous year's figures have been reclassified wherever necessary to conform to this year's classification.                                                                                                                                                                          |               |        |
| 18 Ind AS 103-Business Combinations:<br>Praga Tools Ltd. Merged with HMT Machine Tools Ltd. Pursuant to provisions of the Sick Industrial Companies( Special Provision) Act,1985 and direction as per the Board of Industrial and Financial Reconstruction.Effective of 29th March 2007 |               |        |

**NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT  
YEAR ENDED 31ST MARCH 2020**
**(Rs. in Lakhs)**

|                                               |      |        | Year ended<br>31.03.2020 | Year ended<br>31.03.2019 |        |          |
|-----------------------------------------------|------|--------|--------------------------|--------------------------|--------|----------|
| 1 CONSUMPTION OF RAW MATERIALS AND COMPONENTS |      |        |                          |                          |        |          |
|                                               | Unit | Qty    | Value                    | Unit                     | Qty    | Value    |
| Steel                                         | MT   | 748.15 | 614.38                   | MT                       | 771.60 | 643.14   |
| Non-ferrous Metals                            | MT   | 0.36   | 1.68                     | MT                       | 0.45   | 4.27     |
| Ferrous Castings                              | MT   | 824.22 | 544.20                   | MT                       | 840.64 | 626.50   |
| Non-ferrous Castings                          | MT   | 39.29  | 25.69                    | MT                       | 40.66  | 21.25    |
| Forgings                                      | MT   | 33.58  | 33.50                    | MT                       | 45.21  | 51.54    |
| Standard Parts                                |      |        | 3,420.88                 |                          |        | 2,768.34 |
| Components                                    |      |        | 1,742.01                 |                          |        | 1,436.67 |
| Others                                        | MT   |        | 680.00                   |                          |        | 212.68   |
|                                               |      |        | 7,062.33                 |                          |        | 5,764.38 |

| <b>2 TURNOVER</b>                    | <b>Unit</b> | <b>Qty</b>    | <b>Value</b>     | <b>Unit</b> | <b>Qty</b>    | <b>Value</b>     |
|--------------------------------------|-------------|---------------|------------------|-------------|---------------|------------------|
| Machine Tools                        | <b>Nos.</b> | <b>312.00</b> | <b>13,659.59</b> | <b>Nos.</b> | <b>313.00</b> | <b>16,950.59</b> |
| Die-casting and Plastic machinery    | <b>Nos.</b> | -             | -                | <b>Nos.</b> | -             | -                |
| Presses                              | <b>Nos.</b> | -             | -                | <b>Nos.</b> | -             | -                |
| Printing Machines                    | <b>Nos.</b> | <b>5.00</b>   | <b>194.63</b>    | <b>Nos.</b> | <b>9.00</b>   | <b>285.38</b>    |
| Cutter & Grinder                     | <b>Nos.</b> | <b>14.00</b>  | <b>124.69</b>    | <b>Nos.</b> | <b>78.00</b>  | <b>839.22</b>    |
| Thread Rolling Machines              | <b>Nos.</b> | <b>7.00</b>   | <b>94.31</b>     | <b>Nos.</b> | <b>5.00</b>   | <b>41.58</b>     |
| CNC Lathe                            | <b>Nos.</b> | -             | <b>13.29</b>     | <b>Nos.</b> | -             | -                |
| Sale of Services                     |             | -             | <b>214.98</b>    |             | -             | 173.97           |
| Accessories                          |             | -             | <b>1,820.43</b>  |             | -             | 1,649.59         |
| Sundry Jobs and Misce. Sales         |             | -             | <b>1,435.90</b>  |             | -             | 1,627.70         |
| Packing , forwarding & Other charges |             | -             | <b>65.46</b>     |             | -             | 173.00           |
|                                      |             |               | <b>17,623.27</b> |             |               | <b>21,741.03</b> |

## Additional Disclosure to P&L account

|                  |                                                                                                              | <b>(Rs in Lakhs)</b>    |                         |
|------------------|--------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>Point No.</b> | <b>Particulars</b>                                                                                           | <b>As at 31.03.2020</b> | <b>As at 31.03.2019</b> |
| <b>3</b>         | <b>INFORMATION REGARDING IMPORTS, EXPENDITURE AND EARNINGS IN FOREIGN CURRENCY/ EXCHANGE AND CONSUMPTION</b> |                         |                         |
| (a)              | <b>CIF VALUE OF IMPORTS:</b>                                                                                 |                         |                         |
|                  | Raw Materials                                                                                                | <b>726.41</b>           | 480.02                  |
|                  | Components and Spare Parts                                                                                   | <b>1,644.86</b>         | 1,542.43                |
|                  | Capital Goods                                                                                                | <b>13.33</b>            | 5.18                    |
| (b)              | <b>EXPENDITURE IN FOREIGN CURRENCY ON ACCOUNT OF TRAVELLING EXPNS. (ON PAYMENT BASIS)</b>                    | -                       | 3.39                    |
| (c)              | <b>CONSUMPTION OF RAW MATERIALS, COMPONENTS, STORES &amp; SPARE PARTS</b>                                    |                         |                         |
|                  | Imported                                                                                                     | <b>25% 2,276.96</b>     | 21% 1,909.96            |
|                  | Indigenous                                                                                                   | <b>75% 6,790.09</b>     | 79% 6,983.37            |
|                  |                                                                                                              | <b>100% 9,067.05</b>    | <b>100% 8,893.33</b>    |
| (d)              | <b>EARNINGS IN FOREIGN EXCHANGE EXPORTS</b>                                                                  | <b>1.62</b>             | 237.55                  |
|                  | Routed through HMT (International) Ltd.,                                                                     |                         |                         |
|                  | OTHERS                                                                                                       | -                       | -                       |

