Azadi Ka Amrit Mahotsav

HMT Machine Tools Limited

High-end manufacturing solution
Contributing to
Aatmanirbhar Bharat

# 23rd ANNUAL REPORT 2021-22

MAKE IN INDIA

स्वच्छ भारत
एक कदम स्वच्छता की ओर

# BOARD OF DIRECTORS
## As on 26.09.2022

**Shri Pankaj Gupta**
Chairman & Managing Director
(Addl. Charge)

**Dr. Renuka Mishra**
Economic Adviser
Ministry of Heavy Industries, GOI

**Shri Rajesh Kumar**
Chief Controller of Accounts
Ministry of Heavy Industries, GOI

**Smt. G. Vijaya Sunitha Reddy**
Independent Director

# HMT MACHINE TOOLS LIMITED

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## BOARD OF DIRECTORS

| | |
|---|---|
| Shri Pankaj Gupta | Chairman & Managing Director (Addl. Charge)(w.e.f. 25-08-2022) |
| Shri A.K.Jain | Chairman & Managing Director (Addl. Charge) (w.e.f. 13.09.2021upto 24-08-2022) |
| Shri S. Girish Kumar | Chairman / Managing Director (Addl. Charge) (upto 31.07.2021) |
| Smt. Sujata Sharma | Director (upto 15.06.2021) |
| Shri Jeetendra Singh | Director (w.e.f 15-06-2021upto 25-03-2022) |
| Shri Vijay Mittal | Director (w.e.f 25-03-2022 upto 12-09-2022) |
| Dr. Renuka Mishra | Director (w.e.f 12-09-2022) |
| Smt. Neelam S. Kumar | Director (upto 25-11-2021) |
| Shri Rajesh Kumar | Director (w.e.f 25-11-2021) |
| Smt G. Vijaya Sunitha Reddy | Independent Director |

## STATUTORY AUDITORS

M/s. R. Venkata Krishna & Co., Chartered Accountants

## SECRETARIAL AUDITOR

M/s. S. Kedarnath & Associates Practicing Company Secretary

## BANKERS

| | |
|---|---|
| UCO Bank, | Punjab National Bank |
| Union Bank of India | State Bank of India |
| AXIS Bank | |

## 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)

| | 2021-22 | 2020-21 | 2019-20 | 2018-19 | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 | 2012-13 |
|---|---|---|---|---|---|---|---|---|---|---|
| **OPERATING STATISTICS** | | | | | | | | | | |
| Sales | 15253 | 16582 | 17623 | 21741 | 17708 | 19752 | 21783 | 18859 | 17525 | 23623 |
| Other Income | 890 | 1187 | 1577 | 2041 | 2825 | 2860 | 2054 | 2267 | 5767 | 1591 |
| Materials | 6470 | 7444 | 9067 | 8893 | 7583 | 7829 | 8968 | 7787 | 6842 | 10196 |
| Employee Costs | 8171 | 8401 | 10279 | 11051 | 13137 | 13176 | 14588 | 17059 | 13411 | 13402 |
| Other Costs | 6874 | 6136 | 847 | 2474 | 5895 | 7,961 | 5,348 | 5,280 | 4,817 | 2832 |
| Depreciation | 777 | 755 | 913 | 884 | 970 | 1010 | 965 | 1004 | 897 | 946 |
| Earning Before Interest | -6149 | -4967 | -1905 | 480 | -7051 | -7364 | -6032 | -10004 | -2675 | -2162 |
| Interest | 8424 | 8312 | 7967 | 6863 | 5874 | 5395 | 4633 | 2694 | 2591 | 2203 |
| Earnings /(Loss) Before Tax | -14573 | -13279 | -9872 | -6383 | -12925 | -12759 | -10665 | -12698 | -5266 | -4365 |
| Taxation | - | - | - | - | - | - | - | - | - | - |
| Net Earnings | -14573 | -13279 | -9872 | -6383 | -12925 | -12759 | -10665 | -12698 | -5266 | -4365 |
| **FINANCIAL POSITION** | | | | | | | | | | |
| Net Fixed Assets | 5046 | 5446 | 5443 | 5316 | 5472 | 6019 | 6731 | 7151 | 8027 | 8924 |
| Current Assets | 33887 | 37451 | 38218 | 37668 | 28116 | 27990 | 27018 | 27374 | 25310 | 23392 |
| Current Liabilities & Provisions | 203250 | 192138 | 184466 | 172865 | 151335 | 134168 | 114652 | 101644 | 54535 | 48927 |
| Working Capital | -169363 | -154688 | -146248 | -135197 | -123219 | -106178 | -87634 | -74270 | -29225 | -25535 |
| Capital Employed | -168474 | -153983 | -140805 | -129881 | -117747 | -100159 | -80903 | -67119 | -21198 | -16611 |
| Investments | | | | | | | | | | |
| Miscellaneous Expenditure | - | - | - | - | - | - | - | - | - | - |
| Borrowings | - | - | - | 634 | 5288 | 10335 | 16797 | 19035 | 4234 | 3554 |
| Net Worth | -168474 | -153983 | -140805 | -130515 | -123035 | -110493 | -97698 | -86153 | -25432 | -20166 |
| **OTHER STATISTICS** | | | | | | | | | | |
| Capital Expenditure | 410 | 164 | - | - | - | - | - | - | -3 | -1384 |
| Internal Resources Generated | -13796 | -12524 | -8959 | -5499 | -11955 | -11749 | -9700 | -11694 | -4369 | -3419 |
| Working Capital Turnover Ratio | -0.09 | -0.11 | -0.12 | -0.16 | -0.14 | -0.19 | -0.25 | -0.25 | -0.60 | -0.93 |
| Current Ratio | 0.17 | 0.19 | 0.21 | 0.22 | 0.19 | 0.21 | 0.24 | 0.27 | 0.46 | 0.48 |
| Return on Capital (%) | -3.81 | -3.37 | -1.41 | -0.39 | 8.43 | 7.10 | 6.94 | 3.48 | 3.59 | 3.71 |
| Employees (Nos) | 796 | 889 | 1,064 | 1,246 | 1,425 | 1651 | 1902 | 2218 | 2567 | 2950 |
| Per capita Sales | 19.16 | 18.65 | 16.56 | 17.45 | 12.43 | 11.96 | 11.45 | 8.50 | 6.83 | 8.01 |

# DIRECTORS' REPORT 2021-22

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

Dear Members,

Your Directors have pleasure in presenting their Twenty Third Annual Report on the business and operations of the Company and Annual Financial Statements of the Company for the Financial Year 2021-22 along with the Auditors' Report thereon.

**Financial summary / Performance of the Company**

**(Rs. in crore)**

| Earnings | 2021-2022 | 2020-21 |
|---|---|---|
| Gross Revenue from Operations | 152.53 | 165.82 |
| Other Income | 8.89 | 11.87 |
| **Total Income** | **161.42** | **177.69** |
| Profit before Interest and Depreciation | -53.72 | -42.12 |
| Provision for Depreciation & Amortized | 7.77 | 7.55 |
| Gross Profit | -61.49 | -49.67 |
| Finance Charges | 84.24 | 83.12 |
| Net Profit Before Tax excluding OCI | -145.73 | -132.79 |
| Provision for Tax | - | - |
| Net Profit After Tax | -145.73 | -132.79 |

Your Company achieved a Sales turnover of Rs 152.53 Crore during the year 2021-22 as compared to Rs.165.82 Crore in the previous year. The Production performance was Rs. 117.12 Crore for the year under review as against Rs. 161.20 Crore achieved during the previous year. Orders valued Rs.88.75 Crore was procured during the financial year 2021-22 as against Rs.115.20 Cr. in the previous year.

The operations of the Company resulted in a Net Loss of Rs. (-)145.73 Cr. as against the loss of Rs.(-) 132.79 Cr. (excluding OCI) incurred in the previous year.

**MARKET SCENARIO AND FUTURE OUTLOOK**

International Monitory Fund (IMF) in its July 22 update on World Economic Outlook report has cut India's gross domestic product (GDP) growth projection to 7.4 per cent for FY23, IMF forecast for FY24, which now stands at 6.1 percent due to mainly less favorable external conditions and more rapid policy tightening. Russia's invasion of Ukraine in late February 2022 disrupted supplies of crucial commodities, pushing up prices globally. Consequently, key central banks in the developed world, such as the US Federal Reserve, have begun tightening their monetary policies in earnest to cut down multi-decade high inflation. This has exerted further pressure on the Indian rupee, which has hurtled to multiple record lows in recently and breached the 80-per-dollar mark for the first time during July 2022. These forces, in combination with already high domestic inflation, have pushed the Reserve Bank of India (RBI) to raise interest rates rapidly. RBI has increased the policy repo rate by 90 basis points to 4.9 percent in FY 23, with more rate hikes seen on the horizon. The growth downgrade for India, along with those for China and the US, was largely responsible for the IMF lowering the global growth forecast for the calendar year 2022 by 40 basis points to 3.2 percent and by 70 basis points to 2.9 percent for 2023.

IMTMA in its Report published in June 2022 updated that the Global machine tool production had reached US$ 85 Billion during CY21 registering a Y/Y increase in growth of 16% from US$ 73 Billion during CY20. In CY21, India with a production value of about US$ 1.26 Bn had increased to 11th rank compared to 13th in CY20. As per the IMTMA report Top five countries are China *(30%), Japan (12%), Germany (12%), USA (9%) & Italy (8%) and Top 3 countries accounted for 56% of the Global machine tool production in CY21.

According to IMTMA report, the Global Consumption of Machine Tools-CY21 Is amounted to US$ 80 Billion during CY21 and registered a Y/Y increase in growth of 12% from US$ 72 Billion during CY20.

China which occupies top position accounts for 35% of the global consumption in CY21. As per the IMTMA report Top 5 countries are China (35%), USA (13%), Germany (7%), Italy (6%) & Japan (5%) in CY20 and India with about 2% of global share in consumption, occupied 8th rank in CY21.

Imports of Machine Tools to India in FY22 is 7,397 Crores. The rise in demand from major user sectors such as Auto & Auto Components, General Engineering, Consumer durables etc. led to increase in domestic production market share to 56% in FY22. The rising demand in the new sectors such as aerospace, aviation, railways, power, healthcare, general engineering, tool & die, consumer durables and infrastructure also led to huge domestic demand for large sized machine tools in FY22 which is expected to 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 2021-22.

**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 31st March 2022 is Rs (-) 1,684.74 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 31.3.2022 stood at 796 during the year under review, 133 employees have separated and 36 employees newly inducted in the Company.

The details of different categories of personnel in position as on 31.3.2022 are given hereunder:

| | |
|---|---|
| Scheduled Castes | 159 |
| Schedule Tribes | 37 |
| Other Backward Class | 252 |
| Ex-service men | 1 |
| Person with Disabilities (PWD) | 8 |
| Women Employees | 48 |
| Minority | 32 |

**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 2021. Various competitions in Hindi such as Chitrakatha Impromptu speech, official language written Quiz and Vividha Competitions 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 Employees of the Company has also Participated in the Joint Hindi Month Celebrated of TOLIC(Undertaking Bengaluru) during August 2021 and also in the Hindi Magazine Published by the TOLIC Undertaking Bengaluru.

**Vigilance Activities**

The Chief Vigilance Officer appointed by the government of India heads the Corporate Vigilance Department of the company. Department of Heavy Industry vide its order No. 5(47)/2010-P.E.X dated 29.09.2021 has assigned the charge of CVO HMT Limited to Ms. Kalyani Sethuraman, IRAS (94), CVO, Hindustan Aeronautics Ltd. (HAL), Bengaluru for a period of Six months from date of assumption of charge or till the appointment of a regular CVO or until further order, whichever is earlier.

The Corporate Vigilance Department carries out vigilance function in the Holding Company as well as Subsidiary Companies. Vigilance function in the manufacturing Units and Marketing Offices are looked after by Vigilance Officers, under the guidance of Chief Vigilance Officer.

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.

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/DCVO/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.

Emphasis was laid on preventive vigilance by striving towards strict adherence to all rules and procedures and all norms of transparency in tendering process. Some of the systems put in place by the company are:

1. Open tenders and high value limited tenders are uploaded in www.eprocure.gov.in.
2. Publishing details regarding all purchase orders / contracts concluded during the month and above the threshold value (presently Rs 5.00 lakhs). This is generally implemented by all units.
3. Application form for vendor registration along with list of items required by different Units of HMT Limited and Subsidiaries are made available on Company Website so as to enable the interested vendors to download the application form and submit the same to the Unit of their choice.
4. Registered with ‘Treds’ (Trade Receivables Discounting Systems) for better MSME payment process.
5. Initiative of tech platform to enhance technical expertise and capability through exchange of knowledge, experience for overall techno economic propose.
6. Efforts are being made to adopt E- Procurement process of procurement.
7. Emphasis is made towards adopting E payment mode for release of payment to suppliers and contractors. Necessary direction is issued to achieve compliance level of 80%. Presently in many units the compliance level is more than 40%.

8. Management is being persuaded to adopt integrity Pact. The matter was taken up in the 326th meeting of Board of Directors of HMTL held on 8.6.2017 and the decision of the board was **"Adoption of Integrity pact in HMT Limited and subsidiary companies and authorized the Chairman and Managing Director of the company to decide the basis for adoption of integrity pact and to do necessary acts and things as may be required for implementation of integrity pact and to inform the Board."**
9. Recommended on Allotment of township quarters to be made on line and implementation is in progress.
10. Quarterly vigilance workshops were organized at all manufacturing units to enhance the level of vigilance awareness among the employees and other stakeholders.
11. Efforts are made for effective implementation and usage of 'GEM' by Training and Awareness to the departments.
12. Awareness initiatives on Vigilance to fight corruption in the organization have been uncalculated efficiently.
13. Vigilance Awareness Week 2021 with the theme **"Independent India @ 75: Self Reliance with Integrity"** "स्वतंत्र भारत ₹ **75**: सत्यनिष्ठा से आत्मनिर्भरता" was observed in all Units and Offices of HMT Limited and Subsidiary Companies as per the guidelines of CVC.

**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 Chairman & 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, 2022 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 compiled 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.

**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.

**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.

**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 Section134(3)(c) of the Companies Act, 2013.

- that in the preparation of the annual financial statements for the year ended 31.03.2022, 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.

**ANNUAL RETURN**

As per the provisions of Section 92(3) of the Companies Act, 2013 read with rule and Rule12 of the Companies (Management and administration) Rules 2014 as amended from time to time, the Annual return of the company has been placed on the website of the Company and can we accessed: http://hmtmachinetools.com/Annual_reports/Annual_Report_HMT_MTL_2021-22.PDF

**AUDITORS**

**1. Statutory Auditor**

M/s Venkata Krishna & Co., Chartered Accountants, were appointed as Statutory Auditors of the Company for the year 2021-22 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 2021-22 to conduct cost audit for various units as under:

- M/s Venkanna & Co., Cost Accountants, for consolidation audit of the Company and for auditing the cost records maintained by the Company in respect of MBX, MTH & PTH Unit.
- M/s Balwinder & Associates, Cost Accountants for auditing the cost records maintained by the Company in respect of MTP unit.
- M/s Jai George & Associates for auditing the cost records maintained by the Company in respect of MTK unit.
- M/s Mehta N & Associates, 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. Kedarnath & Associates, 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 thereto.

**Declaration from Independent Director & Registration in the Data Bank maintained by IICA**

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.

Regarding proficiency, the Company has adopted requisite steps towards the inclusion of the name of Independent Director in the data bank maintained with the Indian Institute of Corporate Affairs, Manesar ('IICA'). Accordingly, Independent Director of the Company Smt. G. Vijaya Sunitha Reddy (DIN:08606920) has registered with IICA for the said purpose. In terms of Section 150 of the Act read with the Companies (Appointment & Qualification of Directors) Rules, 2014, as amended vide Notification No. GSR.774(E), dated 18.12.2020, since the Independent Director of the Company has served as Directors for a period of less than three (3) years on the Board of Company as on the date of inclusion of her name in the database, she is required to undertake online proficiency self-assessment test. The Independent Director has informed the Company that she will undertake the online assessment test before due date.

**Details of Difference between amount of the valuation done at the time of one- time settlement and the valuation done while taking loan from the Banks or financial institutions along with the reasons thereof**

There are no instances of one-time settlement during the financial year 2021-22.

**Status on Compliance with the Insolvency and Bankruptcy Code, 2016**

There are no applications made or any proceeding pending against the Company under Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the financial year 2021-22.

**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.

**Fraud Reporting**

There was no incident of fraud reported during the year under review.

**Directors and Key Managerial Personnel**

Shri S. Girish Kumar (DIN: 03385073) ceased to be a Chairman / Managing Director of the Company on 31.07.2021 in terms of The Ministry of Heavy Industries, New Delhi Presidential order No. 1-05/4/2017-P.E.10 (E19415) dated 24th March, 2021.

The Ministry of Heavy Industries, New Delhi vide Presidential order No. 1-05/14/2019-P.E.10/CPSE 1 dated 09th September, 2021 conveyed the approval of the Competent Authority for entrusting the additional charge of the post of Chairman & Managing Director of the Company to Shri A. K Jain, (DIN: 09262984) CMD, HMT Limited for a period from date of joining to 31.01.2022, or until further order, whichever is earlier. Shri A.K. Jain assumed the additional charge of Chairman & Managing Director of the company w.e.f. 13th September 2021.

The Ministry of Heavy Industries, New Delhi vide Presidential order No.E20170, No.1-05/15/2019-P.E. 10 dated 15th June, 2021 appointed, Shri Jeetendra Singh (DIN:09207792), Joint Secretary, Ministry of Heavy Industries as Part time official Director on the Board of the Company with immediate effect until further orders vice Smt. Sujata Sharma, Sr. Economic Adviser(DIN:08863845).

The Ministry of Heavy Industries, New Delhi vide Presidential order No. E20170, No. 1-05/15/2019-P.E.10/ CPSE-1 dated 25th November, 2021 appointed, Shri Rajesh Kumar (DIN:09403746), CCA, Ministry of Heavy Industries, as Part time official Director on the Board of the Company with immediate effect until Further orders vice Smt. Neelam S. Kumar(DIN:08220197).

The Ministry of Heavy Industries, New Delhi vide Presidential order No. 1-05/14/2019-P.E.10/CPSE 1 dated 1st February, 2022 conveyed the approval of the Competent Authority for extending the additional charge of the post of Chairman & Managing Director of the Company to Shri A. K Jain, Executive Director BHEL, Bengaluru w.e.f. 01.02.2022 to 24.08.2022.

The Ministry of Heavy Industries, New Delhi vide order No. 1-05/14/2019-P.E.10/CPSE 1 dated 24th August, 2022 conveyed the approval of the Competent Authority for entrusting the additional charge of the post of Chairman & Managing Director of the Company to Shri Pankaj Gupta, (DIN: 09716028) Executive Director BHEL, Bengaluru w.e.f. 25.08.2022 to 24.11.2023.

Shri Vijay Mittal, (DIN: 09548096) Joint Secretary, Ministry of Heavy Industries, was appointed as part time official Director on the Board of the Company with effect from 25th March 2022 until further orders vice Shri Jeetendra Singh, Joint Secretary, MHI.

The Ministry of Heavy Industries, New Delhi vide Presidential order No. 1-05/15/2019-P.E.10(e-20170) dated 12th September, 2022 appointed, Dr. Renuka Mishra (DIN:08635835), Economic Adviser, Ministry of Heavy industry, as Government Nominee Director on the Board of the Company with immediate effect until Further orders in place of Shri Vijay Mittal. Joint Secretary, Ministry of Heavy Industry.

**Acknowledgements**

The Directors are thankful to HMT Limited, the Holding Company, its Subsidiaries, various Departments and Ministries in the Government of India, particularly the Ministry of Heavy Industries, Ministry of Corporate Affairs, Comptroller & Auditor General of India, Principal Director-Commercial Audit, Statutory and Branch Auditors, 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

**(Pankaj Gupta)**
Chairman & Managing Director
(Additional Charge)
(DIN : 09716028)

Place: Bengaluru
Date: 26th September 2022

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# MANAGEMENT DISCUSSION AND ANALYSIS

**A. Industry Structure and Development**

Indian Machine tool Industry has around 1000 units of which 500 are OEMs and rest are supply chain engaged in the production of machine tools, accessories/attachments, subsystems and parts as per data available from IMTMA. Of these, around 25 in the large scale sector account for 70 percent of the turnover and the rest are in the MSME sector of the industry, the Approximately, 75 percent of the major Indian machine tool producers are ISO certified. While the large organized players cater to India's heavy and medium industries, the small-scale sector meets the demand of small and medium machine tools, ancillary and other units. Many machine tool manufacturers have also obtained CE Marking certification in keeping with the requirements of the European markets.

The Machine Tools industry can be broadly classified into metal-forming and metal-cutting tools based on the type of operation. Metal forming is the metal working process of fashioning metal parts and objects through mechanical deformation; The market segment by type, covers Bending Machine, Shearing Machine and Forging Machine. Market Segment by Application can be broadly divided into General metal fabrication, Construction, Heavy Metal Fabrication, Ship building and Offshore, Automotive and others.

Metal Forming Machine Tools plays a major role in the production of diverse products starting with Automobile industry to high precision components for the Aerospace, Defence, Railways, Instrumentation and Electronics industries, and everywhere in between. The metal forming machine tool industry in India has been serving the need for manufacturing through the manufacture of a variety of metal forming machines. Although the industry is yet to meet the full potential and demand for higher technology machines, market share for Indian machines have improved in recent years. Many Indian manufacturing firms are coming up with the innovations for the development of metal forming tools market. Companies in India are offering hydraulic and mechanical presses with servo drive option. Manufactures are also using the hydroforming to open up the new possibilities for the manufacturing variety of metal parts for different applications. In addition to this, the industry is continuously researching and developing new and innovative metal forming tools to produce better parts, improve process control, and to reduce the cycle time. The demand for automotive, white goods, and consumer durables is increasing, which is driving the demand for metal forming tools market.

Indian Machine Tool Industry is ranked 8th in consumption and 11th in production, globally, as per Gardner Intelligence's World Machine Tool Survey 2021. India's machine tool production for 2021-22 was estimated at around 9,307 crores. Consumption was around 15,791 crores. The order book position, an indicator of growing consumption, looks positive for the forthcoming financial year 2022-23 with the green shoots being evidently visible, and the performance is expected to improve in the coming quarters. Nevertheless, the industry has had many challenges to deal with such as increasing cost of raw materials impacting margins, surge in fuel prices, and supply chain bottlenecks. Indian machine tool industry is expected to move up the value chain by offering total solutions apart from building products for the export market and increasing its domestic market share. Undoubtedly, right vision and leadership, strategy for growth in the current scenario and future proofing of supply chain, digitalisation and automation can play an important role in steering Industries on a growth path in the medium and long term as per the latest report.

The machine Tool Industry is creating larger space in various sectors in terms of offering sector - specific products and solutions. The manufacturing environment in post - pandemic also played a role in making this happen India's manufacturing PMI (purchasing managers 'index) have for some time been consistently hovering over 50, indicating economic expansion and improvement in health of manufacturing activities. The industries have exhibited growth with greater resilience in FY 22 as against FY 21. The country which crossed $ 400 billion in merchandize exports in 2021-2022 is being keenly looked upon by global players as an alternate source for supply chain in different industrial verticals, India was a preferred investment destination with FDI equity Inflows recording a 76% rise in FY 21-22 with the rise being as high as 23 % post Covid, as indicated by the Ministry of Commerce, Government of India.

The Government of India (GoI) through several policy measures in the recent years has been endeavouring to make India a manufacturing hub. The identification of champion sectors through production linked incentive (PLI) schemes for industries, reforms towards ease of doing business, increased foreign direct investments (FDIs) in strategic sectors, infrastructure investments, reduction in corporate taxes, and Aatma Nirbhar Bharat and Make in India initiatives have created good business momentum. As a step to boost indigenization of defence production and encourage home-grown manufacturing technologies, the Ministry of Defence announced a series of measures. Plans are afoot to indigenously manufacture 209 defence items that were previously imported. This gives good opportunities for the machine tool industry which besides the defence sector is also expected be the bedrock for various sunshine sectors for building machines which are precise, accurate sophisticated and customized. It is important to note that Capital Goods sector is vital for economic growth since it not only provides direct employment but is also a multiplier for indirect employment. The prevailing market size of capital goods is $ 43.2 billion, as per Government India estimates. The realignment of global supply chain, push for indigenous production, efforts towards developing logistics, creation of dedicated industrial parks and zones and a slew of such measures by the Union Government will help boost domestic production. Larger capex spend will drive the demand for machine tools and this will have cascading effect on India’s economy.

Machine Tools are the bedrock of the manufacturing sector of an Economy. The Company since inception focussed on “providing mother machines to make machines” to Indian Industry, today the Machine Tool Industry in India has grown to approximately Rs. 25,589 Crores before the pandemic struck and now stands at Rs. 13,736 Crores. The FY 21-22 is a landmark year, as for the first time production at Rs. 8,031.19 Cr was more than the imports at Rs.6,413.02 Cr.

The growing prominence of automation across numerous manufacturing processes, to enhance their productivity and meet quality standards, is currently driving the India machine tools market. India is set to become a key player in the global machine tools industry and is expected to see substantial increase in high-end machine tools manufacturing. The auto sector, a major user of machine tools, is set to grow 3.5 to 4 times from current size of $74 billion to reach about $ 300 billion by 2026. New emerging sectors such as defence and aerospace, consumer durables, and green investment in the auto sector are likely to enhance demand for machine tools. The Indian machine tools sector offers several opportunities for investment. The current gap between demand and supply can be overcome by adding capacities in this sector. The industry is moving towards increasingly sophisticated CNC machines, driven by demand from key user segments such as automobiles and consumer durables, aerospace etc. Machine tools manufacturers need to develop capabilities to cater to this demand and investments in this area could yield long-term benefits. The machine tool market in India is expected to grow by USD 1.9 billion, progressing at a CAGR of almost 13% during the forecast period 2022-2027. The outbreak of COVID-19 will have a neutral and inferior impact on the growth of the market. The market witnessed a partial or complete shutdown of operations of companies due to the imposition of lockdowns, which reduced the demand for machine tools in India. However, the market is expected to gain momentum over the forecast period with the rising popularity of Industry 4.0 and the increased adoption of advanced computer-aided manufacturing technologies across industries. “Make in India” initiative introduced by the Government of India has identified automobiles, auto components, biotechnology, defence, railways and textiles for development. Machine tool industry will be the key enabler in this journey as automobiles, auto components, defence, aerospace and railways have been the main users of machine tools. It gives great opportunity for the sector to grow at 20-25 percent annually to increase its market share. Consumption demand is expected to grow at 15.0 percent, and the domestic production meets less than 50 percent of the domestic demand whereas the small - scale sector meets the demand of ancillary and other units.

Ministry of Heavy Industries have launched Capital Goods Scheme Scheme for Enhancement of Competitiveness in Indian Capital Goods Sectors.

### IMPACT OF COVID-19

Highly Capital - intensive industry like Machine Tools manufacturing is yet to recover to pre - covid level due to high gestation / product cycle. The Capex expenses have been reduced by the manufacturer. The pre - pandemic consumption of Machines in India stood at Rs.25,589 crores in the FY 2019-20 and the same in FY 20-21 was Rs. 13,542 crores and FY 21-22 is Rs.13,736 crores. Thus, the manufacturing industry is yet to recover from the impact related to COVID-19. The Business volume of the Company are yet to reach pre pandemic levels. The current financial year may see substantial improvement towards pre COVID level.

### ISSUES WITH IMPORTS

The CNC machines manufactured by the Company have an imported content of around 40 % by value. For items like CNC Controllers and Drives, Spindle Bearings, Linear Motion Guides etc. there are no domestic manufacturers and have to depend on imports. Supply of imported items got delayed. Imports got affected due to Covid-19 as well as semi-conductor chip problem got delayed by 4 to 6 months due to their raw material supply issues. Inspection of machinery being done through video conference due to Covid-19, customers are unable to visit the factory for physical inspection and clearance. Commissioning of machine got delayed due to logistic and transportation problems. However, the same been eased by the end of the financial year.

**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 & technicians.
- Manufacture of machine tools established through renowned collaborations and in-house R&D.
- 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
- Industrial Training and Internship to students.
- Ministry of Heavy Industry, Government of India has taken initiative under the Prime Ministers Make in India, conceived the idea of positioning Technology and Innovation Platforms (TIPs) for full filling the mechanism in the areas of identified "Mother Technoologies". HMT machine Tools Limited has envised in line of the MHI directions, to focus fulfilling machining under Mother Technologies and HMT identified 13 Mother Technologies which are as follows:

  1. Ultra precision machining, 2. High capacity forming and shaping, 3. Ultra precision metrology, 4. Nanotechnology, 5. 3D printing, 6. Advanced robotics, 7. Stir friction welding, 8. High Performance Motors, Feedback devices, Transducers, 9. Machine Controllers,10. High Pressure, High Performance Hydraulic Pumps & Motors 11. CNC programming and operating, 12. Industry 4.0, 13. Internet of things.

The increased focus of Govt. of India for indegenious production under Aatmanirbhar Bharat and consumption under “Vocal for Local” create more oppurtunity 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.
- ❖ Uncertainty due to World political scenario.

**E. Segment wise or Product wise Performance**

Segment wise Performance: Segment wise sales for the year 2021-22 of the Company is as under-

The Company received an overall new order booking of Rs.88.75 Cr. out of Total sales of Rs. 152.53 Crore during the year 2021-22, the segment wise sales is as follows:

**F. Outlook**

| Sector | Rs. In Crore |
|---|---|
| Auto & Auto Ancillary | 3.98 |
| Railways | 39.71 |
| Defense | 49.85 |
| Mining & Metals | 0.10 |
| Industrial Machinery & Intermediates | 16.60 |
| Power | 17.41 |
| Consumer Durables & Others | 24.88 |
| **Total** | **152.53** |

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 Railways, Power, Consumer Durables and others recorded a significant growth in turnover during 2021-22. The world after COVID-19 will be different with structural changes in production, consumption and work patterns. The uncertainty of COVID-19 may continue in the foreseeable future as per the opinion published by different organisation, the capability of manufacturers to increase 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 Govt. of India taken several steps to boost the economy by introducing PLI schemes to various sectors, this created wider opportunity to the Company. Your Company is exploring alternate sector like Sevage Plants, Battery Charging Station for automobiles, renewable energy, turnkey projects, Defence, Aerospace and machinery & equipment’s for nuclear applications. This growth in various sectors presents a positive outlook for improving the company’s business during 2022-23.

**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.
- ❖ Safe guarding 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.

**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. Tie-up with major players in the field and diversification to medical equipment's manufacturing development of UV Disinfection Tunnel, Isolation Pods and Ventilators to support Country to fight against Covid-19 pandemic.

**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 31.03.2022, the Board of Directors comprised of Chairman & Managing Director(Additional Charge), two part -time Official Director and one Non official Independent Director.

During the year 2021-22, four Board Meetings were held on June 30 & October 08 in the calendar year 2021 and on February 04 & March 24, in the calendar year 2022. The composition of Directors and their attendance at the Board Meetings and at the General Meetings during the year are as follows:

| Name | Category | Meeting held during respec-tive tenure of Directors | Attendance particulars | | | No. of other | | |
|---|---|---|---|---|---|---|---|---|
| | | | Board Meetings | Attendance % in Board Meetings | General Meeting | Director ship | Committee | |
| | | | | | | | Member-ship | Chairman-ship |
| Shri S. Girish Kumar (Upto 31.07.2021) | C & NENI | 1 | 1 | 100% | NA | 8 | 3 | 1 |
| Shri A.K. Jain (w.e.f 13.09.2021) | C & NENI | 3 | 3 | 100% | Yes | 5 | 2 | 1 |
| Smt. Sujata Sharma (Upto 15.06.2021) | NENI | 0 | 0 | NA | NA | 5 | - | - |
| Shri Jeetendra Singh (w.e.f 15.06.2021 to 25.03.2022) | NENI | 4 | 3 | 75% | NA | 5 | 2 | 1 |
| Shri Vijay Mittal (w.e.f 25.03.2022) | NENI | 0 | 0 | NA | NA | 5 | 4 | 1 |
| Smt. Neelam S. Kumar (Upto. 25.11.2021) | NENI | 2 | 1 | 50% | NA | 3 | 3 | - |
| Shri Rajesh Kumar (w.e.f. 25.11.2021) | NENI | 2 | 2 | 100% | No | 3 | 2 | - |
| Smt. G. Vijaya Sunitha Reddy | NEI | 4 | 4 | 100% | No | 0 | 0 | 1 |

*C&NENI : Chairman & Managing Director, NENI : Non Executive & Non Independent, NEI : Non Executive & Independent, NA : Not Applicable

**Brief Resume of Directors appointed during the year:**

**Shri A.K. Jain**

Shri A.K. Jain was inducted as Part Time Official Director on the Board of HMT Machine Tools Limited w.e.f. 13.09.2021. Shri. A.K. Jain has been entrusted with the additional charge of the post of Chairman & Managing Director, HMT Limited w.e.f. 01.08.2021. Shri A K Jain brings in 37 years of rich experience in wide range of business segments with his working in various capacities at BHEL. Shri. A.K. Jain was an Executive Director at BHEL, heading the Electronics Division Electronics System Division, Bengaluru. Earlier to that, he was responsible for Railway & Defense Business at BHEL – Delhi. Prior to that he worked as Product Manager for Electrical Machines and Transportation Business at BHEL – Bhopal. He has done his Electrical and Electronics Engineering from BITS – Pilani.

In various roles, he had the opportunity to drive the growth of BHEL by development of new products in Transportation, Power Plant Controls, Li-Ion Manufacturing and Electrical machines. He has worked in various functions of Engineering, Planning, Manufacturing, Maintenance, Project Execution and spearheaded various initiatives in up-gradation, modernization, retro-fitting, capacity augmentation and CAPEX which brought state-of-the-art plants and machinery thereby increasing the efficiency manifold.

**Shri Jeetendra Singh**

Shri Jeetendra Singh was inducted as Part Time Official Director on the Board w.e.f. 15.06.2021. He is presently posted as Joint Secretary in Ministry of Heavy Industries, Government of India.

He has done B.E in Electrical Engineering from VNIT, Nagpur and PGDM for Executives from IIM Calcutta. He belongs to Indian Railway Service of Electrical Engineers (IRSEE) and prior to joining Department of Heavy Industry, he was posted as Executive Director Corporate Coordination (EDCC) in Railway Board.

Earlier he worked as Director in NITI Aayog on Urban development and in erstwhile Planning Commission in areas of PPP & Infrastructure creation. As Director (Planning) in Ministry of Railways his responsibilities included long term planning and modernization of Railways, development of Dedicated Freight Corridors (DFCs) and Heavy Haul operations. In his initial career he worked in areas of electric traction, locomotive maintenance & operations in various Railway units. Shri Jeetendra Singh ceases to be director of the company w.e.f 25.03.2022.

**Shri Vijay Mittal**

Shri Vijay Mittal was inducted as Part Time Official Director on the Board of HMT Machine Tools Limited Ltd w.e.f. 25.03.2022. He is presently posted as Joint Secretary in Ministry of Heavy Industries, Government of India.

He has done B.Tech in Electrical Engineering from College of Technology Pant Nagar, Uttarakhand and Post Graduate Diploma in Energy and Sustainable Development (PGDESD). He also holds Masters Diploma in Public Administration (MDPA) from IIPA, New Delhi. He belongs to Indian Ordnance Factory Service (IOFS: 1991) and prior to joining Ministry of Heavy Industries, he was posted as Deputy Director General in Directorate of Ordnance, Department of Defence Production, Ministry of Defence (MoD), New Delhi.

Earlier he worked as Director in Ministry of Rural Development and Ministry of Drinking Water and Sanitation implementing centrally sponsored schemes of rural sanitation of Government of India. As Deputy Director General, his responsibilities included management functions and control of seven new Defence Public Sector Undertakings (DPSUs) in respect of policy making, enabling and facilitating necessary approvals of MoD. His responsibilities in earlier part of carrier included production and indigenization of critical defence stores in various units and acquisition of new weapon systems with Transfer of Technology. He has been recipient of prestigious awards of 'AYUDH BHUSHAN' in the year 2015 & 2019 and 'AYUDH SHRI' in the year 2005 for outstanding contribution towards new products and technologies in defence production for the organization.

**Shri Rajesh Kumar**

Mr. Rajesh Kumar is the Chief Controller of Accounts, Ministry of Heavy Industries, GOI. He is a career civil servant and belongs to the 1994 batch of the Indian Civil Accounts Service. In his service career he has served in various capacities in the Government of India, including in the Ministry of Labour, Ministry of Finance, Ministry of Health & Family Welfare, Public Financial Management System (PFMS), Central Board of Direct Taxes and the Ministry of Home Affairs. He has also been the Financial Adviser of Delhi Police, Central Industrial Security Force and Intelligence Bureau.

He has done graduation from Hindu College, University of Delhi and is an M.Phil in Political science from the University of Delhi. He has done various courses on financial management, risk-based auditing and leadership from Columbia Business School, USA, Andrew Young School of Public Policy, USA, Crown Agent Professional Development, London, and RIPA, London, UK.

**Familiarisation & training programmes for Directors**

The Company has familiarized the Independent Director about the Company, its operations, policies and about their roles and responsibilities in the context of Companies Act, 2013.

During the financial year, Smt. G. Vijaya Sunitha Reddy, Independent Director has attended "One day orientation programme for Directors of CPSEs" held on 22nd September, 2021 through online mode in collaboration with the Institute of Company Secretaries of India (ICSI) organized by Department of Public Enterprises, Ministry of Finance, Government of India.

## COMMITTEES OF THE BOARD

### A. AUDIT COMMITEE

The Audit Committee of the Company has been reconstituted on 25 November 2021. During the year 2021-22, four Meetings of the Audit Committee were held on June 30 & October 08 in the calendar year 2021 and February 4 & March 24 in the calendar year 2022. 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 % |
| Smt.G. Vijaya Sunitha Reddy. | Chairman | 4 | 4 | 100% |
| Shri S. Girish Kumar (Upto 31.07.2021) | Member | 1 | 1 | 100% |
| Shri A.K. Jain (w.e.f 08.10.2021) | Member | 3 | 3 | 100% |
| Smt. Neelam S. Kumar (upto 25.11.2021) | Member | 2 | 1 | 50% |
| Shri Rajesh Kumar (w.e.f. 04.02.2022) | Member | 2 | 2 | 100% |

### B. NOMINATION & REMUNERATION COMMITTEE

Being a Government Company, the appointment and fixation of terms and conditions of all Directors (including tenure & remuneration of Functional Directors) are made by the Government of India. The appointment/ remuneration in respect of KMPs and Senior Management Personnel are governed by the policies covered in HMT's personal manual. The Board of Directors has constituted the Nomination and Remuneration Committee of the Board on 04.02.2022. As on 31.03.2022, the Nomination and Remuneration Committee consists of three Directors i.e., Smt. G. Vijaya Sunitha Reddy, Independent Director as Chairman, Shri A.K. Jain, C&MD and Shri Rajesh Kumar, Govt. Nominee Director as members in the committee. In compliance with the provisions of the Companies Act, 2013 Chairman of the Nomination and Remuneration Committee is an Independent Director. Company Secretary is the Convener of the Committee. During the year 2021-22, no meetings of the Nomination and Remuneration Committee Meetings were held .

**Remuneration of Directors**

The details of remuneration of whole time Director is Nil, since Company has no whole time director during the year ended 31.03.2022. 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 actual. 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 |
|---|---|---|---|
| 2018-19 | 05.09.2019 | 12.30 P.M. | Registered Office at No. 59, Bellary Road, Bangalore -560032 |
| 2019-20 | 30.09.2020 | 11:00 A.M. | As above |
| 2020-21 | 22.10.2021 | 10:30 A.M | As above |

Annual General Meeting for the current year is scheduled to be held in the month of September 2022 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 2020-21 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.

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**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 out go 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, de clamping 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 Many of the units the lunch is being outsourced, hence electricity consuption reduced in the canteen.

xi Shut off 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 optimize 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 substation.

xxi Under loading of Stress Relieving Furnace is avoided.

xxii Maximized utilization of Omegas and 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.

xxv During the Pandemic situation, the Company engaged only 50% Strength in the units offices which reduces the energy consuption to an extent.

**b) Additional investments and proposals if any being implemented for reduction of energy consuption**

Action initiated to set up of roof top 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 is under active progress.

ii. Developing Directing Gear of New Variants, which is first of its kind in the world for supply to M/s. Bharat Electronics Limited.

iii. Design and development of new variant of Vertical Turning Machine for M/s.NTPC, Korba .

iv. Design and development of new variant heavy duty Lathe HDL70 for Mishra Dhatu Nigam Limited

v. Collaborated with Ordnance Factory, Ambajari for design & development of Flow forming machine and successfully prove out the component and handed over the Machine.

vi. Design & development of prototype Three Piece Manipulator (TPM) and Spend Fuel Chopper(SFC) for BARC.

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

i. HMT Machine Tools Limited, Indigenously developed 2 variants of Head Turning & Mouth Reaming (HTMR) product to Defence Sector, Ordinance Factory, Varagaon for machining bullets.

ii. Developed new variant of radiation Shielding Window to BARC.

iii. Successfully designed & Developed Conformal Array (CA) Structure for Sonar Testing to DRDO Lab.

iv. Successfully designed and developed Prototype three piece Manipulator (TPM) to BARC.

**c) Development of existing machines:**

i. Designed & Developed CNC Centreless Grinder with loading/unloading of UJ Cross with grinding cross for M/s RSB Transmissions.

ii. Designed and Developed Heavy Duty CNC Cylindrical Grinding machine with centre distance of 2000 rpm with in-process gauging by HMT MTL, Ajmer.

iii. The Company manufactured and supplied to Railway ICF(Chennai) Twinhead Cylindrical Axle Grinding Machine as High Value import substitution.

**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 outsourcing of B and C class item.

c. Focus on procuring all the available items through GeM portal and supply of machines through GeM.

d. The Company under the skill development initiative of Govt. of India bagged orders from GTTC, Karnataka and DET, Tamilnadu and contributed towards the skill development programme of Govt. of India and successfully commissioned General Purpose Machines of Grinding machines, Tool & Cutter Machines to Government Tool Training Centre, Bangalore and bagged fresh machines order for supply of Milling & Grinding Machines.

e. HMT Machine Tools Limited is focusing for development of new products to Railways.

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

Efficiency of Machine increased, production cycle reduced and developed new oppurtunity.

**3. Future Plans of action:**

a. Focus on Manufacturing new products in line with Mother Technologies to make India Self Sufficient and build machines “Make in India”

b. Setting up of two more Skill Development Centers, under implementation.

c. Development of Machinery for Nuclear Projects Viz, NFC, BARC& IGCAR.

d. Sub Assemblies for Indian Navy under progress.

e. Development of New variants of 5 axes CNC Filament Winding Machine with turning attachment.

f. Development of New variants in Machining Centres /VTLs.

g. HMT Machine Tools with Govt. of Initiative is launched Technology Platform for Machine Tools under the name “SURGE”

h. Establishing centre of Excellence (COE) on Machine Tool Design at Indian institute of Technology, BHU under ageis of Ministry of Heavy Industries, GOI and developed new technology in Machine Tools.

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

| | | |
|---|---|---|
| a) | Capital | Rs. NIL |
| b) | Recurring | Rs. 155.68 |
| | Total | Rs. 155.68 |

**5. Total R & D Expenditure:**

**1.02 % (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 OUT GO**

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 | 88.00 |
| 2. | Outgo of Foreign Exchange (CIF value of imports) | 636.53 |
| 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 |

## 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
**(Pankaj Gupta)**
Date: 26th September 2022
Chairman & Managing Director(Additional Charge)

**FORM No. MR-3**

# SECRETARIAL AUDIT REPORT

For The Financial Year Ended 31st March, 2022

[Pursuant to Section 2014(1) of the Companies Act, 2013 and rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
HMT Machine Tools Limited,
No.59, Bellary Road
Bangalore – 560032

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by HMT Machine Tools Limited having CIN: U02922KA1999GOI025572 (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided to us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion there on.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2022 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner as applicable to it and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2022, according to the provisions of:

I. The Companies Act, 2013 (the Act) and the rules made there under;

II. There were no occasions needing compliance under the Depositories Act, 1996 and the Regulations and Bye-laws framed there under; hence no comments have been provided.

III. There were no transactions covering the Foreign Exchange Management Act, 1999 and the rules and regulations made there under.

We further report that, based on the guidelines issued by the Institute of Company Secretaries of India ('the ICSI') and as per the information provided by the Company as to the applicability of the Industry Specific Laws, the relevant records maintained by them, the Company has generally complied with the provisions of the following Industry specific laws / Guidelines to the extent applicable:

**Industry Specific Laws**

(a) The Factories Act, 1948
(b) Intellectual Property Laws
(c) Trade Marks Act, 1999
(d) The Patents Act, 1970
(e) Indian Copyright Act, 1957 and Copyright Rules 1957
(f) The Design Act, 2000
(g) Environment (Protection) Act, 1986

**General Laws**

a) Industrial and Labour laws, as applicable to the Company such as:
   i. Maternity Benefit Act, 1961 (applicable to Woman Employees who are outside the preview of the ESI Act).
   ii. The Contract Labour (Regulation and Abolition) Act, 1970.
   iii. Payment of Wages Act, 1936
   iv. Workmen's Compensation Act, 1923.
   v. The Equal Remuneration Act, 1976
   vi. Employees Liabilities Act, 1938.
   vii. The Employees Provident Fund & Miscellaneous Act, 1952.
   viii. Fatal Accidents Act, 1855.
   ix. The building and other Construction Workers Act, 1996.

b) Indian Boilers Act, 1923
c) Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013
d) Contracts Act, 1982
e) Transfer of Property Act, 1882
f) The RTI Act, 2005
g) Disaster Management Act, 2005
h) Legal Metrology Act, 2009.

We have also examined compliance with the applicable clauses of the Secretarial Standards SS-1 and SS-2 issued by the ICSI and as notified by the Ministry of Corporate Affairs and comment that they have generally complied with the said Standards.

We further report that during the said Financial Year, the Company has complied with the provisions of the Acts, Rules, Regulations, Guidelines, Standards, etc., mentioned in the foregoing paragraphs except the followings:

1. Being a material subsidiary of a Listed Entity, there shall be at least one Independent Director of its Holding Company) on its Board under Regulation 24(1) of SEBI (LODR) Regulations 2015.The Company is yet to comply with this Regulation.
2. The Preference shares have been re-classified as Financial Liability. However, the Authorised Share Capital has not been shown as having Preference Shares leading to inconsistency in presentation of the Financial Statements to that extent.
3. During the Audit, it was observed that the Company has not made timely payment of Employees related statutory dues in several instances and as a result, defaulted the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act,1952, Payment of Gratuity Act, 1972 etc and received Notice from statutory Authorities for compliances of the Act and fighting several litigations in various Court.

**We further report that:**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. 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 and filing of necessary Returns under the Act.

We state that the provisions relating to Audit of Accounts and the related financial records including Income Tax Laws, Central Excise, Sales Tax (GST) Laws, Customs Laws etc., and other connected Rules, Regulations, Orders, Circulars and Notifications have not been dealt with in any manner in our Secretarial Audit Report.

Adequate notice was given to all the Directors to schedule the Board/committee Meetings, agenda and detailed notes on agenda was 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. Sub committees of Board reconstituted during the financial year by following necessary provisions governing the same. Majority decisions were carried through by the Board at its meetings and minutes of meetings are self-explanatory with regard to dissenting member's views, if any.

We further report that the Company has developed and implemented adequate systems and processes, commensurate with its size and operations, to effectively monitor and ensure compliance with applicable laws, rules, regulations and guidelines. There are also processes and adequate procedures in place for minimizing exposure to risks which may threaten the very existence of the Company.

We further report that during the Financial Year there were no significant events/actions, having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc., except that there are subsisting court cases in respect of delay in making Statutory Payments and filing of Returns.

For S Kedarnath & Associates
Company Secretaries :
**S. Kedarnath**
Company Secretary

Date: 10th August, 2022
Place: Bengaluru UDIN: F003031D000778036
C P No 4422

**Note:** This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

## 'Annexure A'

To **The Members,**
**HMT Machine Tools Limited,**
**No.59, Bellary Road**
**Bangalore – 560032**

Our report (2021-22) of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the Management of the Company. My/our responsibility is to express an opinion on these secretarial records based on our audit.
2. I/ We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of secretarial records. The verification was done on a test check basis to ensure that correct facts are reflected in the secretarial records. I believe that the processes and practices, we followed provide a reasonable basis for my opinion.
3. I/we have not verified the correctness and appropriateness of any of the financial records and Books of Accounts of the Company including the records pertaining to Goods and Service Taxes, Income Tax, Customs and other related enactments applicable to the Company.
4. Wherever required, I/we have obtained Management Representation about the compliance of laws, rules and regulations and happening of events etc.
5. 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.

**For S Kedarnath & Associates**
Company Secretaries:
**S. Kedarnath**
**Company Secretary**
**UDIN: F003031D000778036 C P No 4422**

Date: 10th August, 2022
Place: Bengaluru

**ADDENDUM TO SECRETARIAL REPORT FOR THE YEAR 2021-22 IN RESPECT OF OBSERVATIONS MADE BY SECRETARIAL AUDITOR ON THE SECRETARIAL AUDIT OF HMT MACHINE TOOLS LIMITED FOR THE YEAR ENDED 31ST MARCH 2022**

| Ref. | SECRETARIAL AUDITORS' OBSERVATIONS | COMPANY'S REPLY |
|---|---|---|
| 01 | **Being a material subsidiary of a Listed Entity, there shall be at least one Independent Director of its Holding Company) on its Board under Regulation 24(1) of SEBI (LODR) Regulations 2015. The Company is yet to comply with this Regulation.** | The nomination and appointment of all categories of Directors are done by the Government of India in accordance with the laid down Guidelines. The subject matter of appointment of Independent director falls under the purview of the Government of India. The Administrative Ministry has been requested to appoint Directors to comply with the provisions of Companies Act 2013. |
| 02 | **The Preference shares have been re-classified as Financial Liability. However, the Authorised Share Capital has not been shown as having Preference Shares leading to inconsistency in presentation of the Financial Statements to that extent.** | 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 2022-23 as observed. |
| 03 | **During the Audit, it was observed that the Company has not made timely payment of Employees related statutory dues in several instances and as a result, defaulted the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act,1952, Payment of Gratuity Act, 1972 etc and received Notice from statutory Authorities for compliances of the Act and fighting several litigations in various Court.** | Company is incurring losses from several years, hence not able to make timely payment of the statutory dues as observed by the Auditors. The Company is taking all efforts to generate fund from Internal operations and address the timely payment of the statutory dues. |

**Place: Bengaluru**
**Date: 6th September 2022**

**(Pankaj Gupta)**
**Chairman & Managing Director**
**(Addl. Charge)**

## CERTIFICATE OF CORPORATE GOVERNANCE

**Corporate Identity Number: U02922KA1999GOI025572**

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 31st March, 2022, 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) Appointment of atleast one Independent Director of HMT Limited in the Board of HMT MTL ;

b) Presentation of Authorised Share Capital in the Financial Statement

c) Default in timely payment of employee related statutory dues

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 R. VENKATA KRISHNA & Co**
Chartered Accountants, FRN : 004605S
**(J. Ullas),** Partner, M.No. 016397

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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 BoardMembers 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, 2022.

Place: Bengaluru

Date : 26th September 2022

Sd/-

**(Pankaj Gupta)**
**Chairman & Managing Director**
**(Addl. Charge)**

# REVISED INDEPENDENT AUDITOR'S REPORT

(ISSUED CONSEQUENT TO PROVISIONAL COMMENTS BY DIRECTOR, CAG VIDE NO. DGCA/A/c/Desk/2021-22/HMT(MT)/1.31/466 dated 12.08.2022, CONSIDERING CERTAIN MATTERS TO INCLUDE IN OUR REPORT BASED ON THE REPORTS OF THE BRANCH STATUTORY AUDITORS AND THIS SUPERSEDES OUR INDEPENDENT AUDITOR'S REPORT ISSUED DATED : 02.06.2022)

**THE MEMBERS OF**
**HMT MACHINE TOOLS LIMITED**
**BANGALORE**
**CIN: UO2922KA1000GOIO25572**

## REPORT ON THE AUDIT OF STANDALONE FINANCIAL STATEMENTS

### Qualified Opinion:

We have audited the standalone Financial Statements of M/s HMT MACHINE TOOLS LIMITED, BANGALORE, ("the Company") which comprises the Balance Sheet as at March 31, 2022, the Statement of Profit and Loss, the Statement of changes in Equity and the Statement of Cash Flows for the year ended on that date and a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "standalone financial statement")

We state that, the standalone financial statements of the Company includes the compilation of the eight divisional financial statements of HMT MBX Bangalore Complex, HMT Ajmer, HMT Pinjore, HMT Hyderabad, HMT Kalamassery, Praga Tools-Hyderabad, HMT Marketing Division-Bangalore and HMT Directorate-Bangalore which have been subjected to independent statutory audit appointed by CAG for each division except for HMT Directorate - Bangalore. Out of the same six units are audited by other Statutory Auditors, Marketing unit at Bangalore is audited by us and HMT Directorate -Bangalore is not audited independently.

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 described in the Basis for Qualified opinion paragraph of our report, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act"), Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2022, and its loss, total comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Basis for Qualified Opinion:

We conducted our audit of the Financial Statements in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Standalone 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 (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provision of the Act and Rules made there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

**1) MBX, Bangalore:**

a. Ind AS 2 – according to the details and information provided to us, the value of Raw Materials, Work-in-progress and Stock in Trade (Finished Goods) are taken on the basis of job cards issued for the particular work order and stock taking is on Weighted Average basis, however, due to non-availability of valuation report and detailed working of Inventories, we are unable to comment on the compliance with Ind AS 2 and the impact on financials due to this. Also the physical verification of stock has not been done in regular intervals.

b. The Unit has not complied from the requirement of Schedule II of the Companies Act of depreciating the assets over its useful life and such depreciable amount shall be the cost of asset less its residual value. The Unit follows the policy of depreciating the Plant, Property & Equipment costing less than Rs.10,000/- to Re.1/- in the year of purchase. Due to unavailability of required information impact could not be quantified.

c. No provision has been made in these Accounts for interest / penalty / damages for the delayed remittance of provident fund dues to the appropriate authorities and non-settlement / non-payment of gratuity dues as at 31st March 2022. The amount of interest /penalty / damages has not been quantified and we hence are unable to express an opinion on the impact of this non-provision on the financial statements.

d. According to the information provided to us and as per the GST Common portal, the unit has not filed GSTR-3B returns for the month of March'22. Therefore, GST as per the books of accounts and GSTR-3B returns for March'22 needs reconciliation.

e. The Unit has not filed returns in case of following Statutory Liabilities:-

   i) TDS/TCS not filed for the period of April 2021 to March 2022.

   ii) ESI not filed for the months of April 2021 and September 2021.

f. 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. Further it is observed that balance in certain accounts having no transactions for more than five years have been carried forward. Due to non-availability of confirmations of balance from parties, we are unable to express an opinion on the correctness of the balances stated and their impact on the financial statements.

g. With Reference to Note -3D – Intangible Assets – This includes Rs.823.74 Lakhs on account of inclusion of non-impaired intangible asset pertaining to technology received from NUM AG.

   The Company had entered (November 2014) into a Technical Collaboration Agreement (TCA) with NUM AG, Switzerland to acquire knowhow for manufacture of numerical controls and feed drive & spindle drive controllers for machine tools. The Company received technical know-how on 07th March 2015 and paid Rs.330.87 Lakhs (Euro 4 Lakh) in February 2016. The balance amount has not been paid by HMT MTL as per the terms and conditions of the agreement till date. NUM AG, Switzerland intimated (28.09.2018) the company that NUM has exited from the agreement and asked the company to destroy/cancel all the received manufacturing information on any support.

   The Internal Impairment test conducted (31.03.2022) by General Manger, HMT Bengaluru Complex is not in order as the impairment in value has not been recognised. The Company does not have contractual or other legal rights on the technical know-how received from NUM AG as it has exited from the Agreement, the assistance for usage of NUM AG technology and license to manufacture and sell such contract products has been lost by the Company. Therefore, utilization, manufacture of CNC system with new NUM technology is not permissible as per the TCA. Further, even after lapse of seven(7) years from the date of receipt (March 2015) of technical documents, HMT MTL has failed to create any manufacturing facility for manufacture of CNC machines with NUM AG technology. Therefore, the entire expenditure on the asset needs to be written off.

   Hence, not providing for impairment has resulted in overstatement of intangible assets and understatement of depreciation & amortization expenses by Rs.823.74 Lakhs.

   Liability of Rs.897.37 Lakhs created in FY 2019-20 is to be reviewed and reversed as it is no longer required since NUM AG has exited from the project on 28.09.2018

h. With Reference to Note -3D – Intangible Assets – This includes overstated amount of Rs.160.55

Lakhs due to non-impairment of ERP software procured(2010) from CMC Limited, Bengaluru. The software is not being used currently as the staff of the company could not be trained fully as CMC has terminated the agreement due to default in balance payments to the supplier.

During the year 2010, the Company paid (September to December 2010) total of Rs.3.58 Crore to the supplier for the acquisition of ERP system. Out of six modules, four modules were installed and integrated by CMC Ltd., during November/December 2010. The balance two modules could not be integrated as the balance payment to the supplier was not made. However, pending complete installation and integration of all the six modules, the Company capitalized (01st April 2019) ERP software valued Rs.2.29 Crore and ERP hardware of Rs.1.29 Crore. Though four modules of ERP system were installed and integrated by CMC Ltd as early as in 2010 itself, the officers/staff of the Company could not be trained.

Thus, non impairment of ERP system has resulted in overstatement of intangible assets and understatement of depreciation & amortization expenses by Rs.160.55 Lakhs.

**MTA, Ajmer: No Qualified Opinion**

**2) MTP, Pinjore:**

a. The unit has not written off the customs refund claim of Rs. 8.78 lakhs which was pending since 1987 as informed by the management. However the unit has made the provision against the same of Rs. 8.78 Lakhs. As there is no certainty of refund will receive by unit and accordingly this custom refund claim should be written off.

b. The unit has not written off the claim recoverable foreign of Rs. 1.55 lakhs which was pending since 2007 as informed by the management. However the unit has made the provision against the same of Rs. 1.55 Lakhs. As there is no certainty of refund will receive by unit and accordingly this custom refund claim should be written off.

c. As per Ind AS -19, the unit has not determined the actuarial valuation liability for Provident Fund dues as at 31st March, 2022. Consequent effect of the same on the financial statements for the years is not ascertainable. Accordingly, provident fund set up employer which require interest shortfall to be met by the employer would be in effect defined benefit plan in accordance with Ind AS -19. Hence this is not in compliance with the Ind AS-19"Employee Benefits"

**3) MTH, Hyderabad:**

a. Property, plant & equipment is charged at 100% of the cost of asset over their useful life. The residual value for all the assets has been standardized at Re 1. The Division has not appropriately justified and disclosed in the Notes to Accounts for charging depreciation at 100% of the cost of asset over their useful life. In our opinion this is a departure from the Schedule II of the Companies Act, 2013 where it is stated that Residual value should be 5% for the tangible assets and depreciation should be charged at ninety five percent of the cost of asset over their useful life. The Impact of such non-compliance on the loss, Assets and liabilities could not be ascertained.

Our observation revealed that the division has not complied with "Component" based depreciation method as required by IND AS 16 despite the stated policy and necessary identification of components of an item of PPE has not been identified and depreciated accordingly. The impact of such noncompliance on the loss and the accumulated depreciation could not be ascertained..

b. The division 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.

c. Division is not in compliance with IND AS 19, as defined benefit plan does not include Current service cost plus interest obligation thereof nor does it incorporate plan asset. The impact of such noncompliance on the loss and the current liabilities could not be ascertained.

4) MTK, Kalamassery: Have No Qualified Opinion

5) PTH, Hyderabad: Have No Qualified Opinion

6) MTM, Bangalore:

a. We draw attention towards Ind AS-36 Impairment of Assets in relation to the assessment of potential impairment loss of assets of the unit. In respect of the company's procedure the asset verification is conducted by the management once in every three years and accordingly as per the verification report conducted in the FY 2020-2021, it is noted that, the unit is yet to take management approval for disposal of said assets as per the company's procedure and the quantum of impairment value is not available to report.

**Emphasis of Matter**

**1) MBX, Bangalore:**

a. As informed to us, the Unit 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.

b. As informed to us, a portion of the land used for Roads measuring approx 4.25 acres has been acquired by Bruhat Bangalore Mahanagara Palike (BBMP). As per the Direction of the Court land compensation of Rs.18.93 Crores has been fixed, valuing the land @1.65 times the guidance value of land of Rs. 2.70 Crores per acre fixed by the Government of Karnataka. As at 31 March 2022, BBMP has paid adhoc compensation deposit of Rs. 18.50 Crores pending joint measurement and issue of correct dimension report, this is reflecting as advance received in the books under Note-14B. Since the land is not transferred to BBMP following legal procedure the said land measuring 4.25 acres is continued to be shown as Property, Plant and Equipment even though BBMP has taken over physical possession of the Land.

**2) MTA Ajmer:**

a. We are unable to comment on the applicability of AS – 116 to the unit since the required information is not made available to us.

b. Short term provision includes ad-hoc wages / salary revision Rs. 79,70,756/- towards which amount advanced Rs. 51,05,532/- are treated as short term loans & advances. As per the explanation and information provided, the above accounts are maintained as per the Accounting Guidelines issued by the Head Office and will be settled as per directives from H.O.

c. The unit has defaulted in settlement/payment of gratuity to the extent of Rs. 2,49,32,580/- in the case of employees retired/separated from the unit. Further the unit has not made any provision for penalty for non-payment/settlement of gratuity as per the Payment of Gratuity Act, 1972. The amount of penalty has not been ascertained by the unit, being contingent in nature.

d. Unit has not reversed GST Input for those supplies and services, the payment of which are outstanding as on 31.03.2022 for more than 180 days. The amount involved is Rs. 36,11,269/-.

**3) MTP, Pinjore:**

It has been observed that amount of inventory comprises of WIP of Rs. 86,72,804/- and Finished goods of Rs. 58,30,000/- against which no orders have been received till date. As per explanation provided by the management that the production has begin on expected sales order to be received in future leading to blockage of funds. Also this process is being continued from years due to continuous in house production. It has been observed that due to delay is supplies the customer has charged Liquidated Damages i.e if the supplier fails to attain complete scope of supply as per purchase order within the time frame as stipulated in the order, due to reasons attributable to the supplier, the customer shall recover such amount. We draw attention to Note 8 (Trade Receivables) of financial statements which provides cumulative amount of liquidated damages.

**4) MTH, Hyderabad:**

GST receivables representing input tax credit balances have been reported. This balance is not reconciled with credit ledger on GSTIN portal as on the reporting date

**5) MTK Kalmassery:**

i) Land shown Property Plant and Equipment and Investment Property comprises of 349 Acres as per the statement furnished by the Unit.

As per the copies of records furnished to us, summarized hereunder, 781 Acres 26 Cents 266 sq links property was assigned to HMT Limited by Govt. of Kerala in 1973. Out of this 432 Acres 19 Cents and 126 sq links were surrendered/ gifted/given for various purposes as shown in the summary. Balance land in hand is 349 Acres 40 Cents and 140 sqlinks. All this land is in the name of HMT Limited and not in the name of HMT Machine Tools Limited.

**Summary of Details of Land in the books of HMT Machine Tools Ltd**

**1) Land assigned by Government of Kerala to HMT Ltd**

| Sl.No. | Particulars | Acres | Cents | Sq.Links | Hectares |
|---|---|---|---|---|---|
| 1 | Patta No. 9310/30.10.1973 | 3 | 2 | 683 | 1.2249 |
| 2 | Patta No. 10015/30.10.1973 | 731 | 19 | 183 | 295.8015 |
| 3 | Patta No. 12398/30.10.1973 | 47 | 37 | 400 | 19.1718 |
| | **Total A** | **781** | **59** | **266** | **316.1982** |

**2) Less :Land Surrendered/Allotted/Given /Gifted**

| Sl No. | | Particulars | Acres | Hectares |
|---|---|---|---|---|
| 1 | Land surrendered to Kerala Govt vide GO(MS)No:207/2000/ Dtd. 4.7.2000 | | 300 | 121.95 |
| 2 | Land allotted to HMT Ltd (Holding Co) vide GO(MS)No: 207/2000 Dtd.4.7.2000 | | 100 | 40.485 |
| 3 | Land allotted to KSEB vide Chairman Sanction No: M 15/74 Dated 31.5.74 | | 1.58 | 0.64 |
| 4 | Land surrendered to :- | | | |
| | a) | Land given to KSEB for construction of watchman's cabin for the substation vide Chairman's Sanction A/166/71,Dtd: 25.08.1971 | 0.28 | 0.1133 |
| | b) | Land given to NAD which was wrongly included in Patta No.12398, Dtd:30.10.73.Later deleted by revenue authorities (see correction in Patta) | 2.28 | 0.9225 |
| | c) | Land surrendered to Kerala Govt for Ancillary Industrial Estate vide vide Form B Rule 7 Declaration dated 14.12.1990 and Chairman Sanction No: M 15/74 Dated 31.5.74 | 6.895 | 2.7902 |
| | d) | Land given for Periyar Valley Canal (No sanction seen) | 0.13 | 0.0526 |
| | e) | Land gifted to Postal authorities vide gift deed dated 2.9.1981 (Draft copy only seen) | 0.25 | 0.1012 |
| | f) | Land surrendered to Kerala Govt for Irumpanam- Kalamassery Road Third Reach vide Form B Rule7declaration dated 18.4.1994 | 20.77726 | 8.408272 |
| | **Total B** | | **432.19126** | **175.4631** |
| | **Balance Land In hand : A-B** | | **349.4014** | **140.7351** |

As per the Land Revenue Receipt no. KL07021805239/2022 dated 29.03.2022, the extent of land is 162 Hectares 27 Ares 23 sq meter equivalent to 401 Acres 10 Cents and 65 sq links. Land tax of Rs.1,78,568/- is remitted for the said extent. Moreover the land tax receipt is issued in the name of HMT Limited and is absorbed as an expense in HMT Machine Tools Limited. Latest Possession Certificate is also not made available for our verification.

As per the Memorandum Of Association of HMT Machine Tools Limited, under Clause III A) The Main Objects to be pursued by the company on its incorporation, in Paragraph 1, it is said as follows:

"To acquire all the assets, properties and liabilities of, and takeover as a going concern, the business of HMT Limited, now carried on under its Machine Tools and Industrial Machinery Business Groups including all the manufacturing and assembly units , marketing offices/showrooms situated at different locations and to enter into and to carry into effect such modifications or alterations (if any) as may be agreed upon (whether before or after execution) based on any agreement/s, deeds with the said HMT Limited as may be necessary or as may be deemed necessary, advisable or proper and to pay for the same either in cash or loans or by the allotment of shares or debentures or party in shares and party otherwise as specified to HMT Limited, Bangalore."

No Agreements /deeds or other evidences of takeover, showing the details of assets and liabilities taken over were produced for our verification.

In the light of the above discussion we are unable to comment on whether the Company has absolute title to the land included in the books of account.

i) The Unit filed Civil Revision Petition against the proceedings of the Taluk Land Board on the legality of the ceiling proceedings initiated under the Kerala Land Reforms Act, 1963 beforethe Honorable High Court of Kerala at Ernakulam. The Honorable High Court vide Order No CRP No. 1026 of 2002 dated 03.12.2014 set aside the order of the Taluk Land Board directing HMT to surrender 251 Acres and 40 cents of land held in excess of the ceiling area.

However, the Unit filed Special Leave Petition Numbered as 386/2016 before the Honorable Supreme Court of India against order of the Honorable High Court of Kerala CRP No. 1026/2002 dated 03.12.2014 challenging the observation of the Honorable High Court of Kerala stating that "the lands so held by a person under grant from the Government otherwise than by way of lease of license is declared to be a Government land under section 2(1)(d) and ( e) of the Assignment Act. The lands in question were very much a Government land till it was assigned in favour of HMT by Patta No.10015 dated 30.10.1973 Patta No.12398 dated 30.10.1973. It is the situation obtaining as on 01.01.1964 that should be taken for the purpose of granting exemption under the Act as per the law laid down in this regard. The lands in question were obviously Government lands as on 01.04.1964 to which the provisions of Section 81 falling under Chapter III of the Act do not apply. No exemptions of the nature granted have any validity in the eye of law when Chapter III of the Act does not apply and the notifications relied on are non estin law".

The Honorable Supreme Court of India vide Order no. SLP 386/2016 dated 15.01.2016 ordered to maintain status quo existing as on date until further orders. It is further noticed that the Appeal No.386/2016 filed before the Honorable Supreme Court of India is pending.

ii) Trade Payables, Receivables and Advances are subject to confirmation. Non-confirmation of these may have consequential effect on the financial statements which is not ascertainable.

iii) Margin money deposits amounting to Rs.93,98,644/- has been classified as other bank balances. Out of the total margin money deposit an amount of Rs. 9,64,100/- has been maintained by the head office as confirmed by them. In relation to the deposits maintained with UCO Bank as per Books of Account of the Unit, amounting toRs.82,06,043/-,bank confirmation has been received.Balance amount of Rs.2,28,501/-is not ascertainable.

iv) The Unit at Kalamassery transfers Rs.50,000/- per employee at the time of retirement to the account 'Advance for LIC Premium Gratuity', which is wrongly classified in the Balance Sheet under Other Current Liabilities instead of Other Assets -Current. A sum of Rs.1,74,12,799/- is receivable from HMT Directorate Bangalore.

v) Under Note No.10 Other Assets-Current include Rs. 2,48,09,152/- receivable from HMT (International) and Rs.1,97,13,721/-receivable from HMT Ltd CHO by the unit. The details of transactions with HMT Limited and its subsidiaries are to be disclosed under the notes to accounts as 'Related Party Disclosures'.

vi) As the unit is yet to file GSTR1 and GSTR3B for the month of March 2022 so the reconciliation of turnover for year ended 31.03.2022 with monthly returns filed under The Central Goods & Services Tax Act, 2017 could not be carried out.

**6) Praga Tools (PTH), Hyderabad:**

a) Management has prepared the financial statements on Going Concern Basis, though events and conditions exist that cast significant doubt on the entity's ability to continue as a Going Concern.

b) The current year statutory dues along with previous years' dues were not remitted in time and are outstanding. No provision has been made for penal interest on delayed payments of statutory dues.

c) The division has not reconciled balances in the parties' accounts, including trade payables, trade receivables, advances and deposits. The balances in the accounts of these parties, have been stated as appearing in the books of account.

d) The balances of Government of India Loans, and the accumulated interest, in the accounts of Division have not been confirmed. Interest on such loans provided as per the advise of Head Office, could not be verified.

e) As per the Management, the GOI loans are past overdue and hence payable at the earliest instance. Hence the same are disclosed as current liabilities.

f) The Division has not reconciled the balances in GST accounts with the returns filed, taxes paid, eligible inputs, utilisation of inputs and other matters. The division has not provided for liability, if any, on account of interest, fee and penalty.

g. The Division has not provided us the title deeds in respect of: 1) freehold land measuring 3000 square yards located at Kavadiguda, Secunderabad and 2) freehold flat located bearing address, Flat no. 2, Ganeshdeep Co-Op Housing Society, Building 124/2, Erdwara, Pune, Maharashtra. Hence, we are not in a position to state that the Division has clear marketable title for the said properties.

**7) MTM, Bangalore:**

a. The disclosure requirements as per schedule III of the Companies Act 2013 read with Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 in the financial statements.

b. The balance of trade receivables, advances to others, deposits paid, revenue received in advance and trade payables are subject to confirmations, due to non-availability of balance confirmations from the parties.

c. Adhoc payments made towards 1992 wage/salary revision against exact provision made at that time is kept unadjusted resulting in overstatement of Rs.1.1 Cr. on both sides of Balance Sheet under Current Assets and Current Liabilities.

d. Interest on delayed Provident Fund remittance and loss of the fund for the FY 2021-22 has not been provided for as amount was not ascertainable.

e. Sum of Rs.6.40 Cr is owed to PF and Gratuity authorities including recoveries from employees but not remitted (Rs.1.52 Cr.)

**8) MTD:**

Unreconciled old credit balances under Current Liabilities totalling to Rs.4.72 cr must be reconciled immediately and action taken to reverse payments not due. Further Liability created for Interest on Bond issued to EPFO under Litigation to be reversed as per court verdict during 2020 in Companies Favour.

**Our Opinion is not qualified in respect of above**

**Emphasis of Matters.**

**Key Audit Matters**

**Going Concern:** We draw your attention towards the losses incurred by all the divisions of the Company except for the Kalamassery Unit which is resulting in erosion of the net worth of the Company i.e, the continuous increase of accumulated losses over the capital infusion reported every year. We observed that, the company has sent various proposals to Ministry for Working Capital infusion and for payment of overdue Statutory dues, which are pending with Government of India. Further as all units are functioning with orders in hand, the standalone Financial Statements are prepared on the "Going concern" basis.

**Management's Responsibility for the 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 financial statements that give a true and fair view of the financial position, financial performance, of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Rules, 2015, as amended.

This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the 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 control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statement , 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 are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibility for the Audit of the Financial Statement:**

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.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

-Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

-Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

-Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

-Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

-Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Other Matters**

We did not audit the financial statements of the six units of the company namely MBX, Bangalore, MTP-Pinjore, MTK- Kalamassery, MTH-Hyderabad, MTA-Ajmer, PTH-Hyderabad; which reflect total assets of Rs 36,296.59 Lakhs as at 31ST March 2022, total revenue of Rs13,332.53 Lakhs for the year ended 31st March 2022, as considered in the standalone financial statements of the Company and MTD, Directorate has not been audited. These financial statements have been audited by other auditors by CAG whose reports have been furnished to us by the management and our opinion on the standalone, in so far as it relates to the amounts and disclosures included in respect of these units and our report in terms of subsections (3) and (11) of section 143 of the Act, in so far as it relates to the aforesaid units, is based solely on the reports of the other auditors.

**1) MTA Ajmer:**

a. Due to pending finalization of rates by the Government of Rajasthan, provision of 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.

b. The Physical Verification of Stock should be carried out with more efficiency, accuracy and under proper supervision at reasonable intervals.

c. Internal control related to software should be reviewed at reasonable interval.

**2) MTP, Pinjore:**

a. Balance of Inventories, trade payables, receivables, margin money deposit and advances are subject to confirmation and reconciliation, the consequent effect on the financial statements is unascertainable.

b. Some of provisions have been made in the accounts of the unit as per advice by Machine Tools Directorate as follows:

   a) Interest on Government of India Loan\

   b) Gratuity

   c) Leave Encashment

d) Settlement Allowance

e) Interest charged on loan by Machine Tools Directorate

**3) MTH, Hyderabad:**

a. Substantial delay/ non fillings have been noticed in timely compliance with Income Tax Act,1961, Profession tax Act and GST Act,2107 with respect to filling of quarterly/monthly filling of returns and payments of taxes due thereon including delay in contribution to the employee benefit trust which exposes the division to various penalties and late fee and other consequences under the respective Acts.

**Our opinion is not modified in respect of these matters.**

**Report on Other Legal and Regulatory Requirements:**

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

a) 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.

b) 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;

c) The Balance Sheet, the Statement of Profit and Loss, including other comprehensive income dealt with by this Report are in agreement with the books of account.

d) In our opinion, the aforesaid Ind AS Financial Statements dealt with by this report comply with Indian Accounting Standards specifies under section 133 of the Act read with relevant Rules issued thereunder as amended from time to time, except Ind AS- 2 Inventories, Ind AS -40 Investment Property and Ind-AS 36 Impairment of Assets;

e) 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 A".

f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rule 2014, our opinion and to the best of our information and according to the explanation given to us:

i. The pending litigation of the Company are disclosed in Contingent Liabilities of Financial Statement;

ii. There are no material foreseeable losses assessed during the year and hence no provision is required to be made at the reporting date by the Company, as required under the applicable Law or accounting standards, for material losses, if any, on long term contracts including derivatives contracts.

iii. The matter relating to transfer of amounts to the Investor education and Protection Fund is dealt at the Head-Office level.

iv. a) The management has represented that, to the best of it's knowledge and belief, other than disclosed in the notes to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person(s) or entity(ies), including foreign entities('Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

b) The management has represented, to the best of it's knowledge and belief, other than disclosed in the notes to the accounts, no funds have been received by the company from any person(s) or entity(ies), including foreign entities ("Funded Parties"), with the understanding, whether recorded in writing or otherwise, that the company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

c) Based on such audit procedures we have considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub clauses (a) and (b) above contain any material mis-statement.

v. No dividend has been declared or paid during the year by the company and as such there is no non-compliance with section 123 of the Companies Act, 2013

2. As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure B", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

**FOR R.VENKATA KRISHNA & CO**
Chartered Accountants
FRN: 004605S

**J. ULLAS**
PARTNER
Membership No: 016397
UDIN: 22016397APRUBL8370

Date: 24.08.2022

# Annexure – A to the Independent Auditors' Report

(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of HMT MACHINE TOOLS LIMITED of even date)

**Report on the Internal Financial Controls over financial reporting 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 BANGALORE as of March 31, 2022 in conjunction with our audit of the standalone financial statements of the unit for the year ended on 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 ('ICAI'). 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 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 unit'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 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 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.

**Qualified Opinion**

In our opinion, to the best of our information and according to the explanations given to us, one divison HMT- Hyderabad the following material weaknesses is identified in the company relating to inadequate internal financial controls over financial reporting as at March 31st 2022 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 (ICAI).

**A. In respect of HMT, Hyderabad Unit:**

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/ suspense heads of accounts and later deletion of such entries and reposting of entries in the correct heads of accounts.

ii) Delay in recording of inventory movements in the inventory records and its reporting to Accounts department resulting in inappropriate updation of financial books.

**B. In respect of the Company:** Non reconciliation and non confirmation of Trade receivables, trade payables balances, deposits and old balances and advances.

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.

In our opinion, except for the effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company has in all material aspects maintained adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of 31 March 2022, 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.

We have considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the standalone financial statements of the Company as at and for the year ended 31 March 2022, and the material weakness has affected our opinion on the standalone financial statements of the Company and we have issued a qualified opinion on the standalone financial statements.

**FOR R.VENKATA KRISHNA & CO**
CHARTERED ACCOUNTANTS
FRN: 004605S

**J. ULLAS**
PARTNER
Membership No: 016397

Date: 24.08.2022
UDIN: 22016397APRUBL8370

## Annexure – B to the Independent Auditor's Report:

Referred to in Paragraph 1 under Report on Other Legal and Regulatory Requirements section of our report of even date to the members of HMT Machine Tools Limited for the year ended 31st March 2022.

On the basis of such checks as we considered appropriate, according to the information and explanations given to us during the course of our audit and based on the audit reports by the other auditors on the units of the Company, we report that:

1) (a) (A) In our opinion, the Company is maintaining proper records showing full particular including quantitive details and situation of its Property, Plant and Equipment.

(B) The Company has maintained proper records showing full particulars of Intangible Assets.

(b) As explained to us, the management has a policy of physically verifying the Property, Plant and Equipment once in three years and was conducted during the financial year 2021-22 and no material discrepancies were noticed during the said verification, other than the following old matters which were reported in the earlier reports: -

**MBX, Bangalore:**

As informed to us, the Unit 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.

As informed to us, a portion of the land used for Roads measuring approximately 4.25 acres has been acquired by Bruhat Bangalore Mahanagara Palike (BBMP). As at 31 March 2018, BBMP has paid adhoc compensation deposit of Rs. 18.50 Crores pending joint measurement and issue of correct dimension report, this is reflecting as advance received in the books under Note-18. Since the land is not transferred to BBMP following legal procedure the said land measuring 4.25 acres is continued to be shown as Property, Plant and Equipment even though BBMP has taken over physical possession of the Land.

(c) The title deeds of immovable property disclosed in the financial statements are held in the name of the Company.

(d) The Unit has not revalued its Property, Plant and Equipment during the year. Hence, reporting on the aspects related to revaluation does not arise.

(e) There are no proceedings which has been initiated or pending against the Company for holding any benami property under Benami Transactions (Prohibition) Act, 1988. Hence, reporting whether the Company has appropriately disclosed in the financial statements or not does not arise.

2) a) According to the information and explanations given to us Physical verification of inventory has been carried out at MTK Kalamassery, MTP Pinjore, MTH Hyderabad and MTA Ajmer at regular intervals during the year. And no material discrepancies were noticed.

b) As per the explanations provided to us, the Company has been sanctioned working capital limits in excess of Rs.Five crores , for MTK Kalamassery in aggregate, from banks or financial institutions on the basis of security of current assets during anytime during the financial year.

3) The Company has not made any investments in, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties. Hence, further reporting under the sub-clauses (a) to (f) does not apply.

4) The Company has no loans, investments, guarantees and security. Hence compliance under section 185 and 186 of the Companies Act, 2013 does not arise.

5) According to the information and explanations given to us, the Company has not accepted any deposits. Hence reporting on clause (v) of the order is not applicable.

6) The Central Government has prescribed maintenance of cost records u/s. 148(1) of the Companies Act, 2013 for some products of the Unit. We have broadly reviewed the books of accounts relating to material, labour, and other items of cost maintained by the Unit 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) According to the information and explanations given to us and as per books and records examined by us, the Unit is not regular in depositing the undisputed statutory dues including Goods and Services Tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with the appropriate authorities within the due date. 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:

| Nature of Dues | Total Dues | More than six months as at 31.03.2022 |
|---|---:|---:|
| Provident Fund | 22,25,09,483 | 20,58,98,957 |
| Pension contbn & Admn. Charge | 2,39,30,475 | 2,24,06,370 |
| Gratuity | 11,70,57,699 | 10,83,18,235 |
| Property Tax | 5,36,17,471 | 4,86,17,471 |
| **Total** | **41,71,15,128** | **38,52,41,033** |

**MTA Ajmer:**

On the basis of examination of the books of accounts, outstanding statutory dues of Gratuity as on 31/03/2022 for a period of more than six months from the date they became payable is Rs. 2,49,32,580/-.

**MTH Hyderabad:**

| Name of the statute | Nature of the Dues | Period to which the amunt relates | Amount (Rs.) |
|---|---|---|---|
| GST Act, 2017 | GST | 2021-22 | 9276510 |
| Income Tax Act,1961 | TDS Defaults | 2015-16 | 392030 |
| Income Tax Act,1961 | TDS Defaults | 2016-17 | 172190 |
| Income Tax Act,1961 | TDS Defaults | 2017-18 | 324440 |
| Income Tax Act,1961 | TDS Defaults | 2018-19 | 127700 |
| Income Tax Act,1961 | TDS Defaults | 2019-20 | 1230340 |
| Income Tax Act,1961 | TDS Defaults | 2020-21 | 177650 |
| Employee Provident Fund & Misc Provisions Act | ESI | 2020-21 | 78657 |
| Employee Provident Fund & Misc Provisions Act | Pension and EDLI | 2019-20 | 1117080 |
| Employee Provident Fund & Misc Provisions Act | Pension and EDLI | 2020-21 | 2224548 |
| Employee Provident Fund & Misc Provisions Act | Pension and EDLI | 2021-22 | 2199677 |
| Employee Provident Fund & Misc Provisions Act | EPF | 2016-17 | 43042536 |
| Employee Provident Fund & Misc Provisions Act | EPF | 2017-18 | 43859141 |
| Employee Provident Fund & Misc Provisions Act | EPF | 2018-19 | 32969692 |
| Employee Provident Fund & Misc Provisions Act | EPF | 2019-20 | 26317116 |
| Employee Provident Fund & Misc Provisions Act | EPF | 2020-21 | 20681221 |
| Employee Provident Fund & Misc Provisions Act | EPF | 2021-22 | 19850116 |
| Professional Tax | Professional Tax | 2016-17 | 127600 |
| Professional Tax | Professional Tax | 2020-21 | 150100 |
| Professional Tax | Professional Tax | 2021-22 | 360600 |

**MTK Kalamassery**

An amount of Rs.77,06,123/- towards Provident Fund, Rs.68,845/- towards Tax Collected at Source under section 206C(1H) and Rs.260/- towards Tax Deducted at source under section 194Q.

**MTP Pinjore:**

| Sl. No. | Nature of Dues | Amount (Rs. In Lacs) |
|---|---|---|
| 1. | Provident Fund, Pension, VPF, CPF and loan incl. interest | 1602.69 |
| 2. | Gratuity | 575.10 |

**PTH, Hyderabad:**

| Sl. No. | Nature of Dues | Amount (Rs. In Lacs) |
|---|---|---|
| 1 | Provident Fund, ESIC, and employee benefits | 28,33,21,581 |
| 2 | CST | 22,44,265 |
| 3 | Central Excise Duty | 12,02,395 |
| 4 | GST and TDS on GST | 39,55,016 |
| 5 | TCS, TDS | 7,36,439 |

**MTM, Bangalore:**

| Sr. No | Nature of Dues | Total Amount Due (INR In Lacs) | Total Amount exceeding 6 months (INR In Lacs) |
|---|---|---|---|
| 1. | Provident Fund, Pension, VPF, CPF and Loan including 7Q Interest and loss to PF Fund | 384.69 | 326.64 |
| 2. | Gratuity including Interest | 259.22 | 245.69 |

b) According to the information and explanation given to us and as per the records examined by us, the following are the statutory dues which are disputed by the Unit and not been deposited with the said statutory authorities:

**MBX Bangalore:**

| SL NO | REGULATION | YEAR | NO. OF EMPLOYEES (Gratuity/ Gratuity Interest) | TOTAL AMOUNT In Rs. Lakhs | INTEREST in Rs. Lakhs | GRAND TOTAL IN Rs. Lakhs | REMARKS/ FORUM |
|---|---|---|---|---|---|---|---|
| 1 | Provident Fund Act | 1 | 2082/2019 | 462.51 | | 71.95 | PF Commissioner's Claims as per PF Commissioner's attachment order |
| | | 2 | 169/2019 | 344.19 | | 664.98 | |
| | | 3 | 170/2019 | 664.98 | | 344.19 | |
| | | 4 | 171/2019 | 425.55 | | 425.55 | |
| | | 5 | 348(67)/2017 | 625.33 | | 388.49 | |
| | | 6 | 376(95)/2017 | 829.44 | | 829.44 | |
| | | **Sub Total** | | | | **2724.59** | |
| 2 | Sick Industrial Companies (Special Provisions) Act, 1985 | | 1 | 69 | | 69.00 | City Civil Court |
| | Code of Civil Procedure | | 1 | 70 | | 70.00 | City Civil Court |
| | | **Sub Total** | | | | **139.00** | |
| 3 | Property Tax/ Revenue | | | | | 2253.59 | High Court of Karnataka |
| | | **Sub Total** | | | | **2253.59** | |
| 4 | Code of Civil Procedure | | 1 | | | 20.00 | Criminal Court |
| | | **Sub Total** | | | | **20.00** | |
| 5 | Code of Civil Procedure | Case No 53054/16 | 31 | 10 | 0 | 10.00 | High Court of Karnataka |
| | | **Sub Total** | | | | **10.00** | |
| 6 | Karnataka Stamp Act | | | | | 17.55 | Stamp duty payable to Sub registrar office |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Sub Total** | | | | **17.55** | |
| | | TOTAL Disputed | | | | 5164.73 | |

**MTH Hyderabad:**

| Name of the statute | Nature of the Dues | Amount (Rs.) | Period to which the amount relates | Remarks |
|---|---|---|---|---|
| Central Excise Act, 1944 | Excise Duty | 32.31 Lacs | 2011-12 | Commissioner (Appeals) Hyderabad however present status of the case related documents / communications have not been provided to us |

**MTK Kalamassery:**

| Name of the Statute | Nature of the Dues | Amount (Rs.) | Period | Forum where dispute is pending |
|---|---|---|---|---|
| The Central Sales Tax Act, 1956 | Central Sales Tax | 2,13,54,611/- | AY 2008-09 | High Court Of Kerala |

8) According to the information and explanations given to us and as per the records examined by us, there are no such transactions which are not recorded in the books of account and which have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961).

9) a) As per the information and explanations given to us and on the basis of our examination of books and records, the Unit has defaulted in repayment of loans or other borrowings or in the payment of interest to the banks whose details are as follows:

**MBX Bangalore:**

| Month | Nature of borrowing | Name of lender | Interest not paid on due date | Due date | Actual Payment date | Delay in Days |
|---|---|---|---|---|---|---|
| April | Cash Credit A/C | Uco Bank, KG Road, Bangalore - 560009 | 5,74,746 | 30-Apr-21 | 24-Jun-21 | 55 |
| May | Cash Credit A/C | Uco Bank, KG Road, Bangalore - 560009 | 6,01,418 | 31-May-21 | 24-Jun-21 | 24 |
| July | Cash Credit A/C | Uco Bank, KG Road, Bangalore - 560009 | 5,88,156 | 31-Jul-21 | 16-Sep-21 | 47 |
| August | Cash Credit A/C | Uco Bank, KG Road, Bangalore - 560009 | 5,95,696 | 31-Aug-21 | 16-Sep-21 | 16 |
| September | Cash Credit A/C | Uco Bank, KG Road, Bangalore - 560009 | 6,17,129 | 30-Sep-21 | 14-Dec-21 | 75 |

| | | | | | | |
|---|---|---|---|---|---|---|
| October | Cash Credit A/C | Uco Bank, KG Road, Bangalore - 560009 | 6,79,531 | 31-Oct-21 | 14-Dec-21 | 44 |
| November | Cash Credit A/C | Uco Bank, KG Road, Bangalore - 560009 | 6,39,410 | 30-Nov-21 | 14-Dec-21 | 14 |
| December | Cash Credit A/C | Uco Bank, KG Road, Bangalore - 560009 | 6,54,240 | 31-Dec-21 | 10-Jan-22 | 10 |
| January | Cash Credit A/C | Uco Bank, KG Road, Bangalore - 560009 | 6,45,227 | 31-Jan-22 | 16-Mar-22 | 44 |
| February | Cash Credit A/C | Uco Bank, KG Road, Bangalore - 560009 | 5,88,353 | 28-Feb-22 | 16-Mar-22 | 16 |
| March | Cash Credit A/C | Uco Bank, KG Road, Bangalore - 560009 | 6,22,149 | 31-Mar-22 | 26-Apr-22 | 26 |

The company has availed the loan from the Government of India and has defaulted in repayment of loans and borrowings to Government of India. The following are the details of default as at the year end.

| Particulars | Principal | Interest | Total |
|---|---|---|---|
| Term Loan from Government of India | 34,852.80 | 40,728.85 | 75,581,65 |

b) As per the information and explanations given to us, the Company is not a declared wilful defaulter by any bank or financial institution or other lender.

c) As per the information and explanations given to us and on the basis of examination of books and records, the term loans have been applied for the purpose for which the loans were obtained.

d) As per the information and explanations given to us and on the basis of our examination of books and records, the funds raised on short term basis have not been utilised for long term purposes.

e) The Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures.

f) The Company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies.

10) (a) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year. Hence, reporting on the clause with regard to application of such funds does not arise.

(b) The Company has not made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year. Hence, reporting on the compliance under Section 42 and Section 62 of the Companies Act, 2013 does not arise.

11) (a) As per information and explanations given to us and on the basis of our examinations of books and records, there were no frauds by the Company or on the Company that has been noticed or reported during the year.

b) As there were no frauds noticed or reported during the year, filing of report under sub-section (12) of section 143 of the Companies Act by the auditors in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government does not arise.

(c) As per information and explanations given to us and on the basis of our examinations of books and records, there were no whistle-blower complaints received during the year by the Unit.

12) This is not a Nidhi Company, hence reporting under clause (xii) does not apply.

13) As per information and explanations given to us and on the basis of our examinations of books and records, all the transactions with the related parties are in compliance with Section 177 and 188 of Companies Act, 2013 wherever applicable and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.

14) a) The Company has an Internal Audit system which is commensurate with the size and nature of its business.

b) The reports of the Internal Auditor for the period under audit has been considered.

15) The Company has not entered into any non-cash transactions with directors or persons connected with them and hence reporting on this clause is not applicable.

16) a) The Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934. Further, reporting on sub clause (b) to (d) does not apply.

17) The Company has incurred cash losses in the financial year and has incurred cash losses in the immediately preceding financial year as follows:

| Particulars | FY 2021-2022 | FY 2020-2021 |
|---|---|---|
| Cash Losses (Amt in Lakhs) | 13,796.27 | 12,524.23 |

18) There has been no resignation of the statutory auditors during the year.

19) According to the information and explanations given to us and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that the Unit is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

20) Since the Company does not come within the purview of Section 135 of the Companies Act 2013, reporting under this clause does not apply.

21) We have given an unmodified opinion other than basis for Qualified Opinion which need to be looked upon, hence this clause does not apply.

**FOR R.VENKATA KRISHNA & CO**
CHARTERED ACCOUNTANTS
FRN: 004605S

**J. ULLAS**
PARTNER
Membership No: 016397
UDIN: 22016397APRUBL8370

Date: 24.08.2022

# Annexure C to the Independent Auditor's Report
# Directions under Section 143(5) of the Companies Act, 2013

1. Whether the Company has system in place to process all the implications of processing of 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.

   As per the explanations and information provided to us, the Company has a system in place to process all the accounting transactions through IT system through Tallly and other software and the accounting transactions outside IT system have also been integrated which does not have financial implications.

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. Whether such cases are properly accounted for? (In case, lender is a Government company, then this direction is also applicable for statutory auditor of lender Company)

   As per the explanations and information provided to us, there are no cases of restructuring of an existing loan or any case of waiver/ write off of debts/loans/interest during the year, though the Company has been continuously defaulted in repayment of loans and carrying old outstanding loans from Government of India and from HMT Limited, Holding Company.

3. Whether funds (grants/subsidy etc) received/ receivable for specific schemes from Central/ State Government or its agencies were properly accounted for/ utilised as per its term and conditions? List the cases of deviation.

   As per the explanations and information provided to us, the Company has received a grant of Rs. 190 lakhs which includes:

a) Rs.152 lakhs of Department of Heavy Industries grant (Received in March 2021)

b) Rs.15.2 Lakhs contribution by HMT MTL Ltd

c) Rs.22.8 Lakhs contribution by HMT Ltd

   For the development of web-based technology Innovations Platform "SURGE" under the scheme on Enhancement of Competitiveness in the Indian Capital Goods Sector from Ministry of Heavy Industries & Public Enterprises, Government of India.

   Out of which Rs. 47.07 Lakhs has been utilised as at 31st March 2022 and balance remains in Escrow Account. The grant has been properly accounted as per Indian Accounting Standards for Government Grants- Ind AS 20

4. Impairment tests done by the Company on various assets may be examined and comments may be made on sufficiency of these tests and whether they are in compliance with Ind-AS 36? Financial implication of not conducting impairment tests, wherever required, may also be ascertained and reported.

a. MBX, Bangalore: Impairment test have done during the year which is appropriate apart from:

   Purchase of Hardware and implementation of SAP IN 2010, the unit has conducted in house impairment test during the year for the intangible asset and Data & Computer Processors capitalised pertaining to the software and hardware of the SAP system. Technical collaboration agreement with NUM AG of Switzerland for developing numerical control system for machine tools during 2004, the unit has capitalised Rs. 1176.77 Lakhs in the year 2019-20 there might significant decline in market value.

**b. MTA Ajmer:** Ajmer Unit has not conducted impairment test on various assets. As per the information an explanations given to us, recoverable amount of all the assets is more than the assets shown in the books as on 31.03.2022.

**c. MTP, Pinjore:** Impairment tests done by the company on various assets, the unit is having an asset management committee which declares a list of non working assets and takes approval from head office for the disposal of these assets.

d. **MTH, Hyderabad:** Examined Impairment tests done and it is considered sufficient and appropriate.

e. **MTK, Kalamassery:** No Impairment tests were conducted by the unit on various assets during the year ended 31.03.2022 Financial implications cannot be ascertained.

f. **PTH, Hyderabad:** No Impairment tests were conducted by the unit on various assets during the year ended 31.03.2022 Financial implications cannot be ascertained.

g. **MTM Bangalore:** As per the information and explanations given to us, no impairment tests were conducted by the unit on various assets during the year ended on 31.03.2022. Financial implications of not conducting impairment tests cannot be ascertained as recoverable amount is not available.

**FOR R.VENKATA KRISHNA & CO**
CHARTERED ACCOUNTANTS
FRN: 004605S

**J. ULLAS**
PARTNER
Membership No: 016397
UDIN: 22016397APRUBL8370
Date: 24.08.2022

## Addendum to Directors Report for the year 2021-22 in respect of observations made by the Statutory Auditors on the accounts of HMT Machine Tools Limited for the year ended 31st March 2022

| | Statutory Auditor's Observations | Company's Reply |
|---|---|---|
| **1)** | **MBX, Bangalore:** | |
| a. | Ind AS 2 – according to the details and information provided to us, the value of Raw Materials, Work-in- progress and Stock in Trade (Finished Goods) are taken on the basis of job cards issued for the particular work order and stock taking is on Weighted Average basis, however, due to non-availability of valuation report and detailed working of Inventories, we are unable to comment on the compliance with Ind AS 2 and the impact on financials due to this. Also the physical verification of stock has not been done in regular intervals. | Unit will share all the details with Branch Auditor during the interim audit in the current financial year and will do the needful in consultation with the Branch Auditor. Unit will ensure that physical verification of stock is done in regular intervals. |
| b. | The Unit has not complied from the requirement of Schedule II of the Companies Act of depreciating the assets over its useful life and such depreciable amount shall be the cost of asset less its residual value. The Unit follows the policy of depreciating the Plant, Property & Equipment costing less than Rs.10,000/- to Re.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 |
| c. | No provision has been made in these Accounts for interest / penalty /damages for the delayed remittance of provident fund dues to the appropriate authorities and non-settlement / non-payment of gratuity dues as at 31st March 2022. The amount of interest /penalty / damages has not been quantified and we hence are unable to express an opinion on the impact of this non-provision on the financial statements. | Unit has shown the same under contingent liability. Unit will do the needful during the current financial year |
| d. | According to the information provided to us and as per the GST Common portal, the unit has not filed GSTR-3B returns for the month of March'22. Therefore, GST as per the books of accounts and GSTR-3B returns for March'22 needs reconciliation. | Due to shortage of funds, Unit couldn't pay GST and file GSTR-3B for the month of March 2022 as return can be filed only after making the payment. Unit will reconcile the GST as per books of accounts and GSTR-3B |
| e. | The Unit has not filed returns in case of following Statutory Liabilities:- | |

| | | |
|---|---|---|
| | i) TDS/TCS not filed for the period of April 2021 to March 2022. | Due to shortage of funds, Unit couldn't pay TDS/TCS and file return for the period April 2021 to March 2022. |
| | ii) ESI not filed for the months of April 2021 and September 2021. | Due to technical issue, Unit couldn't file the ESI Return, which will be filed on receipt of demand from ESI |
| f. | 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. Further it is observed that balance in certain accounts having no transactions for more than five years have been carried forward. Due to non-availability of confirmations of balance from parties, we are unable to express an opinion on the correctness of the balances stated and their impact on the financial statements. | Unit has sent balance confirmation letters to around 90 Customers/Vendors and only around 10 Customers/ Vendors replied for that. Unit will do the needful during the current financial year |
| g. | With Reference to Note -3D – Intangible Assets – This includes Rs.823.74 Lakhs on account of inclusion of non-impaired intangible asset pertaining to technology received from NUM AG.<br>The Company had entered (November 2014) into a Technical Collaboration Agreement (TCA) with NUM AG, Switzerland to acquire knowhow for manufacture of numerical controls and feed drive & spindle drive controllers for machine tools. The Company received technical know-how on 07th March 2015 and paid Rs.330.87 Lakhs (Euro 4 Lakh) in February 2016. The balance amount has not been paid by HMT MTL as per the terms and conditions of the agreement till date. NUM AG, Switzerland intimated (28.09.2018) the company that NUM has exited from the agreement and asked the company to destroy/cancel all the received manufacturing information on any support.<br>The Internal Impairment test conducted (31.03.2022) by General Manger, HMT Bengaluru Complex is not in order as the impairment in value has not been recognised. The Company does not have contractual or other legal rights on the technical know-how received from NUM AG as it has exited from the Agreement, the assistance for usage of NUM AG technology and license to manufacture and sell such contract products has | Company will appoint a Committee to do the feasibility study of the NUM Project. Necessary action will be taken based on the findings of the Committee and after obtaining Competent Authority approval in the FY 2022-23 |

| | | |
|---|---|---|
| | been lost by the Company. Therefore, utilization, manufacture of CNC system with new NUM technology is not permissible as per the TCA. Further, even after lapse of seven(7) years from the date of receipt (March 2015) of technical documents, HMT MTL has failed to create any manufacturing facility for manufacture of CNC machines with NUM AG technology. Therefore, the entire expenditure on the asset needs to be written off.<br>Hence, not providing for impairment has resulted in overstatement of intangible assets and understatement of depreciation & amortization expenses by Rs.823.74 Lakhs.<br>Liability of Rs.897.37 Lakhs created in FY 2019-20 is to be reviewed and reversed as it is no longer required since NUM AG has exited from the project on 28.09.2018 | |
| h. | With Reference to Note -3D – Intangible Assets – This includes overstated amount of Rs.160.55 Lakhs due to non-impairment of ERP software procured(2010) from CMC Limited, Bengaluru. The software is not being used currently as the staff of the company could not be trained fully as CMC has terminated the agreement due to default in balance payments to the supplier.<br>During the year 2010, the Company paid (September to December 2010) total of Rs.3.58 Crore to the supplier for the acquisition of ERP system. Out of six modules, four modules were installed and integrated by CMC Ltd., during November/December 2010. The balance two modules could not be integrated as the balance payment to the supplier was not made. However, pending complete installation and integration of all the six modules, the Company capitalized (01st April 2019) ERP software valued Rs.2.29 Crore and ERP hardware of Rs.1.29 Crore. Though four modules of ERP system were installed and integrated by CMC Ltd as early as in 2010 itself, the officers/staff of the Company could not be trained.<br>Thus, non impairment of ERP system has resulted in overstatement of intangible assets and understatement of depreciation & amortization expenses by Rs.160.55 Lakhs | Company will appoint a Committee to do the feasibility study of the SAP Project. Necessary action will be taken based on the findings of the Committee and after obtaining Competent Authority approval in the FY 2022-23 |

| | | |
|---|---|---|
| **2)** | **MTP, Pinjore:** | |
| a. | The unit has not written off the customs refund claim of Rs. 8.78 lakhs which was pending since 1987 as informed by the management. However the unit has made the provision against the same of Rs. 8.78 Lakhs. As there is no certainty of refund will receive by unit and accordingly this custom refund claim should be written off. | There is no financial impact as Unit has made provision for the same. Unit will try to collect all the relevant documents and will do the needful during the current financial year. |
| b. | The unit has not written off the claim recoverable foreign of Rs. 1.55 lakhs which was pending since 2007 as informed by the management. However the unit has made the provision against the same of Rs. 1.55 Lakhs. As there is no certainty of refund will receive by unit and accordingly this custom refund claim should be written off. | There is no financial impact as Unit has made provision for the same. Unit will try to collect all the relevant documents and will do the needful during the current financial year. |
| c. | As per Ind AS -19, the unit has not determined the actuarial valuation liability for Provident Fund dues as at 31st March, 2022. Consequent effect of the same on the financial statements for the years is not ascertainable. Accordingly, provident fund set up employer which require interest shortfall to be met by the employer would be in effect defined benefit plan in accordance with Ind AS -19. Hence this is not in compliance with the Ind AS-19"Employee Benefits" | Unit will do the needful during current financial year in consultation with MTD. Actuarial valuation of PF will be done on yearly basis and necessary compliance will be done as per Ind AS-19 |
| **3)** | **MTH, Hyderabad:** | |
| a. | Property, plant & equipment is charged at 100% of the cost of asset over their useful life. The residual value for all the assets has been standardized at Re 1. The Division has not appropriately justified and disclosed in the Notes to Accounts for charging depreciation at 100% of the cost of asset over their useful life. In our opinion this is a departure from the Schedule II of the Companies Act, 2013 where it is stated that Residual value should be 5% for the tangible assets and depreciation should be charged at ninety five percent of the cost of asset over their useful life. The Impact of such non-compliance on the loss, Assets and liabilities could not be ascertained.<br>Our observation revealed that the division has not complied with "Component" based depreciation method as required by IND AS 16 despite the | 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<br>Unit will do the needful during the current financial year in consultation with Branch Auditor |

| | | |
|---|---|---|
| | stated policy and necessary identification of components of an item of PPE has not been identified and depreciated accordingly. The impact of such noncompliance on the loss and the accumulated depreciation could not be ascertained. | |
| b. | The division 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. | Unit has only land as investment property. Fair value of investment property is shown in the consolidated financial statement for MTL. There is no depreciation. |
| c. | Division is not in compliance with IND AS 19, as defined benefit plan does not include Current service cost plus interest obligation thereof nor does it incorporate plan asset. The impact of such noncompliance on the loss and the current liabilities could not be ascertained. | Unit will do the needful in the current financial year in discussion with the Branch Auditor |
| | **MTM, Bangalore:**<br>We draw attention towards Ind AS-36 Impairment of Assets in relation to the assessment of potential impairment loss of assets of the unit. In respect of the company's procedure the asset verification is conducted by the management once in every three years and accordingly as per the verification report conducted in the FY 2020-2021, it is noted that, the unit is yet to take management approval for disposal of said assets as per the company's procedure and the quantum of impairment value is not available to report. | MTM will do the needful during the current financial year. |

**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 FOR THE YEAR ENDED 31 MARCH 2022**

The preparation of financial statements of HMT Machine Tools Limited for the year ended 31 March 2022 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 24 August 2022 which supersedes their earlier Audit Report dated 02 June 2022

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 2022 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

Place: Hyderabad
Date: 05 September 2022

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

## Significant Accounting Policies for the year ended March 31, 2022

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 vatable 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.

Provision for slow moving inventories are made considering the redundancy. However, provision for non moving inventories are made when the same are unmoved for more than five years and they are not useful for any other alternative purpose for general or specific orders

**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:**

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) Rendering of services:**

Revenue from sale of services is recognised by reference to the stage of completion. Stage of completion is measured by services performed to date as a percentage of total services to be performed.

**iii) Rental Income:**

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.

**iv) Dividend Income:**

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

**v) Interest Income:**

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

**vi) 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

**vii) 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.

**l) 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 SAin 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 three 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.

**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 31.03.2022

| Particulars | Notes | As at 31.03.2022 | As at 31.03.2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **1. Non-current Assets** | | | |
| (a) Property, Plant and Equipment | 3A | 2,768.10 | 3,098.28 |
| (b) Capital work in progress | 3A | 683.45 | 578.11 |
| (c) Investment Property | 3B | 28.59 | 29.02 |
| (d) Non Current Assets held for Sale | 3C | 0.00 | 0.01 |
| (e) Financial Assets | | | |
| (i) Investments | 4 | - | - |
| (ii) Other Financial Assets | 9 | 273.94 | 292.31 |
| (f) Intangible Assets | 3D | 984.28 | 1,124.90 |
| (g) Intangible Assets under development | 3E | - | - |
| (h) Machinery and Equipment's in transit | 3F | - | - |
| (i) Other Assets | 10 | 307.68 | 323.83 |
| Other Non- Current Assets | | - | - |
| | | **5,046.04** | **5,446.47** |
| **2. Current assets** | | | |
| (a) Inventories | 5 | 13,465.36 | 16,055.51 |
| (b) Financial Assets | | | |
| (i) Trade Receivables | 6 | 14,167.51 | 14,562.15 |
| (ii) Cash and cash equivalents | 7A | 1,029.39 | 1,416.95 |
| (iii) Bank balances other than cash and cash equivalents | 7B | 1,648.91 | 1,812.07 |
| (iv) Loans | 8 | - | - |
| (v) Other Financial Assets | 9 | 0.00 | 28.93 |
| (c) Other Assets | 10 | 3,575.39 | 3,574.99 |
| (d) Current Tax Assets (net) | 10A | - | - |
| | | **33,886.56** | **37,450.61** |
| **TOTAL ASSETS** | | **38,932.60** | **42,897.07** |
| **EQUITY AND LIABILITIES** | | | |
| 1. Equity | | | |
| (a) Share Capital | 11 | 27,659.91 | 27,659.91 |
| (b) Other Equity | 12 | -196,133.57 | -181,642.74 |
| **Total Equity** | | **-168,473.66** | **-153,982.83** |

## BALANCE SHEET AS AT 31.03.2022

| Particulars | Notes | As at 31.03.2022 | As at 31.03.2021 |
|---|---|---|---|
| **2. Non-current Liabilities** | | | |
| (a) Financial Liabilities | | | |
| (i) Borrowings | 13 | - | - |
| (ii) Non-current Financial Liability | 14 | - | - |
| (b) Provisions | | | |
| (i) Provision for Employee Benefits | 15 | 4,020.00 | 4,566.71 |
| (c) Deferred Tax Liabilities (net) | | - | - |
| (d) Other Non-Current Liabilities | 14A | 136.47 | 174.80 |
| | | **4,156.47** | **4,741.51** |
| **3. Current Liabilities** | | | |
| (a) Financial Liabilities | | | |
| (i) Borrowings | 13 | 27,823.24 | 26,452.94 |
| (ii) Trade Payables | 16 | - | - |
| Dues to Micro, Small & Medium Enterprises | | 872.36 | 897.98 |
| Dues to Other than Micro, Small & Medium Enterprises | | 6,940.32 | 7,662.93 |
| (iii) Other Financial Liabilities | 17 | 119,881.65 | 113,673.55 |
| Government Grant | 15 | - | - |
| (b) Other Current Liabilities | 18 | 43,792.51 | 38,964.03 |
| (c) Provisions | | | |
| (i) Provision for Employee Benefits | 15 | 3,733.85 | 4,313.45 |
| (ii) Others | 19 | 205.85 | 173.51 |
| | | **203,249.78** | **192,138.40** |
| **Total Liabilities** | | **207,406.25** | **196,879.90** |
| **TOTAL EQUITY AND LIABILITIES** | | **38,932.60** | **42,897.07** |

Significant Accounting Policies and Notes forming part of Accounts

For and on behalf of the Board of Directors of HMT Machine Tools Ltd — As per our Report of Even date

**(A.K. Jain)**
Chairman & Managing Director (Addl. Charge)
DIN 09262984

**(Rajesh Kumar)**
Director
DIN 09403746

**for R. VENKATA KRISHNA & Co**
Chartered Accountants
FRN : 004605S

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

**(Om Prakash Singh)**
Company Secretary

**(J. Ullas)**
Partner
M.No.016397
UDIN:- 22016397AKEVWA3737

Place : Bangalore
Date : 02.06.2022

# STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31.03.2022

| Particulars | Notes | Year Ended 31.03.2022 | Year Ended 31.03.2021 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Sale of goods | | 14,318.42 | 15,865.38 |
| Rendering of services | | 934.34 | 716.61 |
| Revenue from Operations | 20 | **15,252.76** | **16,581.99** |
| Other income | 21 | 889.51 | 1,186.94 |
| **Total Income** | | **16,142.28** | **17,768.93** |
| **EXPENSES** | | | |
| Cost of raw materials consumed | 22 | 6,470.10 | 7,444.19 |
| Purchase of Stock In Trade | 22A | - | - |
| Changes in Inventories of finished goods, Stock in trade and work-in-progress | 23 | 2,341.86 | 1,685.47 |
| Employee benefits expense | 24 | 8,170.56 | 8,401.22 |
| Depreciation and amortization expense | 25 | 776.61 | 754.82 |
| Finance costs | 26 | 8,424.01 | 8,311.72 |
| Other expenses | 27 | 4,795.37 | 4,559.41 |
| Less: Jobs Done for Internal Use | 28 | 263.35 | 108.85 |
| **Total expense** | | **30,715.16** | **31,047.98** |
| **Profit/(loss)before exceptional items and tax from continuing operations** | | **-14,572.88** | **-13,279.05** |
| Exceptional items | | - | - |
| **Profit/(loss)before and tax from continuing operations** | | **-14,572.88** | **-13,279.05** |
| (1) Current tax | | - | - |
| (2) Deferred tax | | - | - |
| | | - | - |
| Profit/(Loss) for the year from continuing operations | | **-14,572.88** | **-13,279.05** |
| **DISCONTINUED OPERATIONS** | | | |
| Profit/(loss) before tax for the year from discontinued operations | | - | - |
| Tax Income/ (expense) of discontinued operations | | - | - |
| **Profit/(loss) from discontinued operations** | | - | - |
| Profit/(loss) for the year | | **-14,572.88** | **-13,279.05** |
| **OTHER COMPREHENSIVE INCOME** | | - | - |
| **Other comprehensive income to be reclassified to profit or loss in subsequent periods:** | | - | - |

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31.03.2022

| Particulars | Notes | As at 31.03.2022 | As at 31.03.2021 |
|---|---|---|---|
| **Other comprehensive income not to be reclassified to profit or loss in subsequent periods:** | | | |
| Re-measurement gains (losses) on defined benefit plans | | 82.05 | 101.64 |
| **Net other comprehensive income not to be reclassified to profit or loss in subsequent periods** | | **82.05** | **101.64** |
| | | **82.05** | **101.64** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | | **-14,490.83** | **-13,177.41** |
| Earnings per share for continuing operations | | | |
| ◆ Basic, profit from continuing operations attributable to equity holders of the parent | | (5.27) | (4.80) |
| ◆ Diluted, profit from continuing operations attributable to equity holders of the parent | | (5.27) | (4.80) |
| 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 | | (5.27) | (4.80) |
| ◆ Diluted, profit for the year attributable to equity holders of the parent | | (5.27) | (4.80) |

Significant Accounting Policies and Notes forming part of Accounts

For and on behalf of the Board of Directors of HMT Machine Tools Ltd

As per our Report of Even date

**(A.K. Jain)**
Chairman & Managing Director
(Addl. Charge)
DIN 09262984

**(Rajesh Kumar)**
Director
DIN 09403746

**for R. VENKATA KRISHNA & Co**
Chartered Accountants
FRN : 004605S

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

**(Om Prakash Singh)**
Company Secretary

**(J. Ullas)**
Partner
M.No.016397
UDIN:- 22016397AKEVWA3737

Place : Bangalore

Date : 02.06.2022

# CASHFLOW STATEMENT FOR THE YEAR ENDED 31.03.2022

Rs. in Lakhs

| Particulars | As at 31.03.2022 | As at 31.03.2021 |
|---|---|---|
| **Operating activities** | | |
| Profit/(Loss) before tax from continuing operations | (14,572.88) | (13,279.05) |
| Profit/(loss) before tax from discontinued operations | - | - |
| **Profit/(Loss) before tax** | **(14,572.88)** | **(13,279.05)** |
| **Adjustments to reconcile profit before tax to net cash flows:** | | |
| Depreciation and impairment of property, plant and equipment | 635.57 | 613.78 |
| Amortisation of Intangible Assets | 140.61 | 140.61 |
| Depreciation of investment properties | 0.43 | 0.43 |
| Gain on disposal of property, plant and equipment | (25.24) | (70.56) |
| Finance income | (79.45) | (131.93) |
| Finance costs | 8,424.01 | 8,311.72 |
| Prior Period Item | - | - |
| **Working capital adjustments:** | | |
| Movements in provisions | (1,011.91) | (1,694.69) |
| (Increase)/Decrease in trade and other receivables and prepayments | 457.70 | (784.48) |
| (Increase)/Decrease in inventories | 2,590.16 | 1,699.75 |
| Increase/(Decrease) in trade and other payables | 4,080.01 | 4,342.86 |
| | **639.02** | **(851.56)** |
| Income tax paid/reversed | | |
| **Net cash flows from operating activities** | **639.02** | **(851.56)** |
| **Investing activities** | | |
| Proceeds from sale of property, plant and equipment | 25.24 | 92.93 |
| Purchase of property, plant and equipment | (410.48) | (164.52) |
| Interest received | 79.45 | 131.93 |
| Receipt/(Application) of Grant in Aid | (38.33) | 174.80 |
| **Net cash flows used in investing activities** | **(344.12)** | **235.14** |
| **Financing activities** | | |
| Interest Paid | (2,215.91) | (2,113.79) |
| Proceeds/(Repayment) from borrowings | 1,370.30 | 3,494.38 |
| **Net cash flows from/(used in) financing activities** | **(845.61)** | **1,380.59** |
| Net increase in cash and cash equivalents | (550.72) | 764.17 |
| Net foreign exchange difference | | |
| Cash and cash equivalents at the beginning of the year | 3,229.02 | 2,464.85 |
| **Cash and cash equivalents at year end** | **2,678.30** | **3,229.02** |

Note: 1) The above statement has been prepared under the indirect method as set out in Ind AS 7
2) The Cash & Cash equipments has been considered as per Note No. 8.

For and on behalf of the Board of Directors of HMT Machine Tools Ltd

As per our Report of Even date

**(A.K. Jain)**
Chairman & Managing Director (Addl. Charge)
DIN 09262984

**(Rajesh Kumar)**
Director
DIN 09403746

**for R. VENKATA KRISHNA & Co**
Chartered Accountants
FRN : 004605S

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

**(Om Prakash Singh)**
Company Secretary

**(J. Ullas)**
Partner
M.No.016397
UDIN:- 22016397AKEVWA3737

Place : Bangalore
Date : 02.06.2022

# NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

## 3A. PROPERTY, PLANT AND EQUIPMENT

| | Land & Land Devel-opment | Buildings | Factory Build-ings | General Building | Plant and Machinery | Furniture, Fittings & Office Ap-pliances | Air condi-tioning and ventilations | Comput-ers and data process | Electri-cal installa-tions | Measur-ing Equip-ment | Factory Equip-ment | Water supply and sanita-tions | Vehi-cles | Special Tools | Inte-rior Parti-tions | Road Wall and Fenc-ing | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross carrying value | | | | | | | | | | | | | | | | | |
| **As At 1 April 2021** | **101.23** | 1,446.72 | 479.84 | 241.34 | 21,131.10 | 519.96 | 488.59 | 1,407.98 | 875.91 | 708.82 | 2,897.78 | 165.00 | 24.31 | 1,348.02 | 8.63 | 40.74 | 31,885.96 |
| Additions | - | - | - | - | 186.66 | 0.88 | - | 1.86 | - | - | 1.89 | 9.32 | - | 105.39 | - | - | 305.99 |
| Disposals | - | - | - | - | -62.19 | -0.00 | - | - | - | - | -0.22 | - | - | - | - | - | -62.42 |
| **As At 31 March 2022** | **101.23** | **1,446.72** | **479.84** | **241.34** | **21,255.56** | **520.83** | **488.59** | **1,409.84** | **875.91** | **708.82** | **2,899.45** | **174.32** | **24.31** | **1,453.41** | **8.63** | **40.74** | **32,129.54** |
| Accumulated Depreciation | | | | | | | | | | | | | | | | | |
| **As At 1 April 2021** | **-** | **1,350.20** | **440.53** | **223.30** | **18,683.93** | **504.78** | **478.86** | **1,342.06** | **874.70** | **686.50** | **2,853.26** | **161.73** | **24.31** | **1,114.15** | **8.63** | **40.74** | **28,787.68** |
| Depreciation charge for the period | - | 3.33 | 4.48 | 1.36 | 456.89 | 2.23 | 3.65 | 41.52 | 0.26 | - | 9.60 | 1.77 | - | 110.48 | - | - | 635.57 |
| Deduct/Adjust | - | - | - | - | -61.59 | - | - | - | - | - | -0.22 | - | - | - | - | - | -61.81 |
| **As At 31 March 2022** | **-** | **1,353.53** | **445.01** | **224.65** | **19,079.22** | **507.01** | **482.52** | **1,383.58** | **874.95** | **686.50** | **2,862.64** | **163.50** | **24.31** | **1,224.64** | **8.63** | **40.74** | **29,361.44** |
| Net carrying value | | | | | | | | | | | | | | | | | |
| **As At 31 March 2022** | **101.23** | **93.19** | **34.83** | **16.69** | **2,176.33** | **13.82** | **6.07** | **26.26** | **0.96** | **22.32** | **36.81** | **10.82** | **-** | **228.77** | **-** | **-** | **2,768.10** |

## 3A. CAPITAL WORK IN PROGRESS

| | 31.03.2022 | 31.03.2021 |
|---|---|---|
| **As At 1st April 2021** | **578.11** | 655.04 |
| Additions | **114.66** | 11.59 |
| Disposals/adjusted | **-9.32** | -88.52 |
| **As At 31 March 2022** | **683.45** | **578.11** |

# NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

***Agewise details as at the end of current financial year:***

| Particulars | Amount in CWIP for a period of | | | | Total |
|---|---|---|---|---|---|
| | Less than 1 year | 1 - 2 years | 2 - 3 years | more than 3 years | |
| CNC HORIZONTAL MACHINING CENTRE | - | - | 170.00 | - | 170.00 |
| CNC CYLENDRICAL GRINDING MACHINE | - | - | 117.16 | - | 117.16 |
| CONSTRUCTION OF NEW HANGER | - | 11.59 | - | - | 11.59 |
| Projects temporarily suspended | - | - | - | - | - |
| Projects in progress | 110.00 | | 65.00 | 209.70 | 384.70 |
| | **110.00** | **11.59** | **352.16** | **209.70** | **683.45** |

***Agewise details as at the end of current financial year:***

| Particulars | Amount in CWIP for a period of | | | | Total |
|---|---|---|---|---|---|
| | Less than 1 year | 1 - 2 years | 2 - 3 years | more than 3 years | |
| CNC HORIZONTAL MACHINING CENTRE | - | 170.00 | - | - | 170.00 |
| CNC CYLENDRICAL GRINDING MACHINE | - | 117.16 | - | - | 117.16 |
| CONSTRUCTION OF NEW HANGER | 11.59 | - | - | - | 11.59 |
| Effluent Treatment Plant | | 4.66 | | | 4.66 |
| Projects temporarily suspended | - | - | - | - | - |
| Projects in progress | - | 65.00 | 209.70 | - | 274.70 |
| | **11.59** | **356.82** | **209.70** | **-** | **578.11** |

***Details of CWIP completion schedule as at the end of current financial year:) For capital-work-in progress, whose completion is overdue or has exceeded its cost compared to its original plan***

| Particulars | To be completed in | | | |
|---|---|---|---|---|
| | Less than 1 year | 1 - 2 years | 2 - 3 years | more than 3 years |
| Plant and Machinery | 110.00 | | | |
| HMT CNC HORIZONTAL MACHINING CENTRE, HMC-1000 | 170.00 | | | |
| HMT CNC LATHE STALLION 200 UL | 38.98 | | | |
| REXROTH MAKE EXTERNAL GEAR PUMP | 0.72 | | | |
| | 319.70 | - | - | - |
| **Projects in progress** | - | 65.00 | 209.70 | - |
| | **11.59** | **356.82** | **209.70** | **-** |

# NOTES FORMING PART OF BALANCE SHEET

**3B. INVESTMENT PROPERTY** **(Rs. In Lakhs)**

| PARTICULAR | Land | Buildings | Total |
|---|---|---|---|
| **Cost or valuation** | | | |
| **At 31 March 2021** | **7.49** | **26.17** | **33.65** |
| Additions | - | - | - |
| Assets Held for Disposal | - | - | - |
| Disposal/Adjustment | - | - | - |
| **At 31 March 2022** | **7.49** | **26.17** | **33.65** |
| | | | |
| **Depreciation and Impairment** | | | |
| **At 31 March 2021** | - | **4.64** | **4.64** |
| Depreciation charge for the period | - | 0.43 | 0.43 |
| Adjustments during the period | - | - | - |
| Deduction/Adjustment | - | - | - |
| Assets Held for Disposal | - | - | - |
| **At 31 March 2022** | - | 5.07 | 5.07 |
| | | | |
| **Net book value** | | | |
| **At 31 March 2022** | **7.49** | **21.10** | **28.59** |
| **At 31 March 2021** | **7.49** | **21.53** | **29.02** |

**Additional Information**

i) The Company has classified certain land & building as investment property which is not an owner occupied property

ii) The Company has not obtained any fair valuation of investment property from independent valuer. However, based on the guidance value, the fair value of the investment property as at March 31, 2022 is Rs. 61,416.84 Lakhs (previous year also Rs. 61,416.84 Lakhs)

iii) The Company is in possession of Gift land located at Kalamassery & Hyderabad gifted by the respective State Governments measuring 182.83 Acres and 28.42 Acres respectively, nominally valued at Rs. 1 each.

**Information regarding income and expenditure of Investment property** **(Rs. In Lakhs)**

| Particulars | 31-Mar-22 | 31-Mar-21 |
|---|---|---|
| Rental income derived from investment properties | 7.41 | 57.84 |
| Direct operating expenses (including repairs and maintenance) generating rental income | 0.00 | 0.00 |
| Direct operating expenses (including repairs and maintenance) that did not generate rental income | 0.00 | 0.00 |
| **Profit arising from investment properties before depreciation and indirect expenses** | 7.41 | 57.84 |
| Less – Depreciation | 0.43 | 0.43 |
| **Profit arising from investment properties before indirect expenses** | 6.98 | 57.41 |

# NOTES FORMING PART OF BALANCE SHEET

**3C. Non Current Assets Held for Sale** **(Rs. In Lakhs)**

| Particulars | 31-Mar-22 | 31-Mar-21 |
|---|---|---|
| Plant and Machinery | 0.00 | 0.01 |
| Factory Equipment | - | - |
| | **0.00** | **0.01** |

**3D. Intangible Assets** **(Rs. In Lakhs)**

| Cost | |
|---|---|
| **At 31 March 2021** | 1,494.48 |
| Additions/Deletion | |
| **At 31 March 2022** | 1,494.48 |
| | |
| Amortisation and Impairment | |
| **At 31 March 2021** | 369.59 |
| Amortisation | 140.61 |
| **At 31 March 2022** | 510.20 |
| | |
| **Net book value** | |
| At 31 March 2022 | 984.28 |
| At 31 March 2021 | 1,124.90 |

## NOTES FORMING PART OF BALANCE SHEET

(Rs. in Lakhs)

| | As at 31.03.2022 | As at 31.03.2021 |
|---|---|---|
| **5. Inventories** | | |
| Raw Materials and Components | 2,326.93 | 2,736.15 |
| Material and Components in Transit | 56.56 | 97.47 |
| Work-in-Progress | 4,987.67 | 4,708.48 |
| Finished Goods # | 5,821.07 | 8,400.24 |
| Stores and Spares | 1,411.44 | 1,160.60 |
| Tools and Instruments | 262.73 | 237.69 |
| Scrap | 173.44 | 215.33 |
| | **15,039.83** | **17,555.95** |
| Less: Provision for Non-moving Inventories | 1,574.48 | 1,500.44 |
| | **13,465.36** | **16,055.51** |
| **6. Trade Receivables** | - | - |
| Secured, considered good | 14,167.51 | 14,562.15 |
| Unsecured, considered good | 7,386.40 | 6,699.84 |
| Doubtful | **21,553.91** | **21,261.99** |
| **Allowance for doubtful debts** | | |
| Unsecured, considered doubtful | 7,386.40 | 6,699.84 |
| | **14,167.51** | **14,562.15** |

***6A Trade Receivables Agewise details as at the end of current financial year.***

| Particulars | Outstanding for the following periods from due date of payment | | | | | |
|---|---|---|---|---|---|---|
| | Less than 6 months | 6 months - 1 year | 1-2 years | 2-3 years | More than 3 years | Total |
| Undisputed - Considered good | 7,840.22 | 416.96 | 2,292.49 | 1,788.35 | 1,829.49 | 14,167.51 |
| Undisputed-Considered doubtful | 10.25 | 21.70 | 151.55 | 91.38 | 4,998.93 | 5,273.81 |
| Disputed - Considered good | - | - | - | - | - | - |
| Disputed - Considered doubtful | - | - | - | - | 2,112.59 | 2,112.59 |
| | **7,850.47** | **438.66** | **2,444.04** | **1,879.73** | **8,941.01** | **21,553.91** |

***6B Trade Receivables Agewise details as at the end of previous financial year.***

| Particulars | Outstanding for the following periods from due date of payment | | | | | |
|---|---|---|---|---|---|---|
| | Less than 6 months | 6 months - 1 year | 1-2 years | 2-3 years | More than 3 years | Total |
| Undisputed - Considered good | 7,999.18 | 1,067.58 | 2,009.37 | 1,970.60 | 1,515.42 | 14,562.15 |
| Undisputed-Considered doubtful | 99.62 | - | 98.16 | 107.38 | 4,282.09 | 4,587.25 |
| Disputed - Considered good | - | - | - | - | - | - |
| Disputed - Considered doubtful | - | - | - | - | 2,112.59 | 2,112.59 |
| | **8,098.80** | **1,067.58** | **2,107.53** | **2,077.98** | **7,910.10** | **21,261.99** |

Note: Inter Units transactions if any to be shown separately

# NOTES FORMING PART OF BALANCE SHEET

(Rs. in Lakhs)

| | As at 31.03.2022 | As at 31.03.2021 |
|---|---|---|
| **7. Cash and Cash equivalents** | | |
| **A.Cash and Cash Equivalents** | | |
| *Balances with banks:* | | |
| – On current accounts | 600.28 | 999.52 |
| – Escrow accounts | 144.56 | 190.00 |
| – Deposits with maturity three months or less | 281.75 | 224.11 |
| – Cash and Cheques on hand | 2.80 | 3.32 |
| **B. Other Bank Balances** | - | - |
| Deposits with maturity more than three months but less than twelve months | 1,648.91 | 1,812.07 |
| | **2,678.30** | **3,229.02** |
| **8. Loans** | | |
| **Unsecured** | **-** | **-** |
| **Loans to subsidiaries** | **-** | **-** |
| **Considered Good** | **-** | **-** |
| **Total** | **-** | **-** |
| **9. Other Financial Assets** | | |
| **Current** | | |
| Interest Accrued and Due | 0.00 | 28.93 |
| **Non-Current** | | |
| With Scheduled Banks in Deposit Account - Margin Money | 273.74 | 292.31 |
| Deposits with Banks exceeding twelve months of maturity | 0.20 | - |
| **Total** | **273.94** | **321.25** |
| **10. Other Assets** | | |
| **10. Other Assetss Non-Current** | | |
| Capital Advances | 1.97 | 1.97 |
| Less: Provision for Doubtful Advances | -1.97 | -1.97 |
| | - | - |
| Security Deposits | 307.68 | 323.83 |
| | **307.68** | **323.83** |

## NOTES FORMING PART OF BALANCE SHEET

(Rs. in Lakhs)

| | As at 31.03.2022 | As at 31.03.2021 |
|---|---|---|
| **Current** | | |
| **Advances to employees** | - | - |
| Vehicle Advance | - | - |
| Less: Provision for Doubtful Loans and Advances | - | - |
| **Advances to subsidiary companies** | - | - |
| HMT International Ltd. | 107.57 | 228.63 |
| | **107.57** | **228.63** |
| **Advances other than Capital Advances** | | |
| Considered Good | 3,276.13 | 3,236.15 |
| Considered Doubtful | 748.15 | 736.85 |
| | **4,024.27** | **3,973.00** |
| Less:Provision for Doubtful Advances | 748.15 | 736.85 |
| | **3,276.13** | **3,236.15** |
| Withholding of taxes and other tax receivables* | 172.64 | 83.21 |
| Security Deposits | 19.05 | 27.00 |
| | **191.69** | **110.21** |
| **Total Other Assets** | **3,575.39** | **3,574.99** |

# NOTES FORMING PART OF BALANCE SHEET

(Rs. in Lakhs)

**Statement of changes in Equity**

**11. Share capital**

**Authorised Share capital** **Equity Shares**

| | Number | Amount |
|---|---|---|
| **At 31 March 2021** | 355,000,000 | 35,500.00 |
| Increase/(decrease) during the year | | |
| **At 31 March 2022** | **355,000,000** | **35,500.00** |

**Issued Capital**

| | Equity shares of Rs. 10/- each issued and fully paid | |
|---|---|---|
| | Number | Amount |
| **At 31 March 2021** | **276,599,137** | **27,659.91** |
| Increase/(decrease) during the year | | |
| **At 31 March 2022** | **276,599,137** | **27,659.91** |

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 | | | | |
|---|---|---|---|---|
| | As at 31 March 2022 | | As at 31 March 2021 | |
| Name of the Share Holder | No of Shares | % holding | No of Shares | % holding |
| *Equity shares of INR10 each fully paid HMT Limited* | 276,599,137 | 100% | 276,599,137 | 100% |

# NOTES FORMING PART OF BALANCE SHEET

(Rs. in Lakhs)

**Statement of changes in Equity**

**12.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 Instuments through other comprehensive income | Other items of other Comprehensive Income | |
| | Amount | Amount | Amount | Amount | Amount |
| **Balance as of 1st April 2021** | 2,271 | (178,653) | - | (5,261) | (181,643) |
| Change in Accounting Policy or Prior Period Error | | | | | - |
| **Restated Balance as of 1st April 2021** | **2,271** | **(178,653)** | **-** | **(5,261)** | **(181,643)** |
| Remeasurement of the net defined benefit liability/asset, net of tax effect | | | | 82 | 82 |
| **Profit for the period** | | **(14,573)** | | | **(14,573)** |
| **At 31 March 2022** | **2,271** | **(193,226)** | **-** | **(5,178)** | **-196,134** |

| Particulars | Other Equity | | | | |
|---|---|---|---|---|---|
| | Reserves and Surplus | | Other Comprehensive income | | Total equity attributable to equity holders of the company |
| | Capital reserve | Retained earnings | Equity Instuments through other comprehensive income | Other items of Other Comprehensive Income | |
| | Amount | Amount | Amount | Amount | Amount |
| **Balance as of 1st April 2020** | 2,271 | -165,374 | - | -5,363 | -168,466 |
| Change in Accounting Policy or Prior Period Error | | | | | |
| **Restated Balance as of 1st April 2020** | **2,271** | **-165,374** | **-** | **-5,363** | **-168,466** |
| Remeasurement of the net defined benefit liability/asset, net of tax effect | | | | 102 | 102 |
| Profit for the period | | (13,279) | | | (13,279) |
| **At 31 March 2021** | **2,271** | **(178,653)** | **-** | **(5,261)** | **(181,643)** |

For and on behalf of the Board of Directors of HMT Machine Tools Ltd

As per our Report of Even date

**(A.K. Jain)**
Chairman & Managing Director (Addl. Charge)
DIN 09262984

**(Rajesh Kumar)**
Director
DIN 09403746

**for R. VENKATA KRISHNA & Co**
Chartered Accountants
FRN : 004605S

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

**(Om Prakash Singh)**
Company Secretary

**(J. Ullas)**
Partner
M.No.016397
UDIN:- 22016397AKEVWA3737

Place : Bangalore
Date : 02.06.2022

# NOTES FORMING PART OF BALANCE SHEET

(Rs. in Lakhs)

| | As at 31.03.2022 | As at 31.03.2021 |
|---|---|---|
| **13. Borrowings** | | |
| **Non-current** | | |
| **Non-current Unsecured** | | |
| **Loans from Government of India** | | |
| Term Loan carrying rate of interest @ 13.50% (Statutory Dues) for a period of 5 years | - | - |
| Term Loan carrying rate of interest @ 13.50% (Working capital) for a period of 5 years | - | - |
| Term Loan carrying rate of interest @ 7% (Bridge Loan-1997 pay Scales) for a period of 5 years | - | - |
| **Total non-current borrowings** | **-** | **-** |
| **Current** | | |
| **Current Secured** | | |
| Cash Credit | 2,997.89 | 2,938.12 |
| Loan from holding company | 24,573.58 | 22,864.82 |
| Emergency Credit Loan | 251.77 | 650.00 |
| **Net current borrowings** | **27,823.24** | **26,452.94** |

## NOTES FORMING PART OF BALANCE SHEET

(Rs. in Lakhs)

| | As at 31.03.2022 | As at 31.03.2021 |
|---|---|---|
| **15. Provision for employee benefits** | | |
| **Non Current** | | |
| Gratuity | **2,805.46** | 3,220.34 |
| Earned Leave Encashment | **1,070.71** | 1,183.58 |
| Settlement Allowance | **143.84** | 162.78 |
| | **4,020.00** | **4,566.71** |
| **Current** | | |
| Gratuity | **1,114.76** | 1,389.56 |
| Earned Leave Encashment | **333.75** | 414.24 |
| Settlement Allowance | **54.24** | 70.64 |
| Wage and Salary Revision (1992) | **2,231.10** | 2,439.00 |
| | **3,733.85** | **4,313.45** |
| **Total** | **7,753.85** | **8,880.16** |
| **16. Trade payables** | | |
| Dues to Micro, Small & Medium Enterprises | **872.36** | 897.98 |
| Dues to Other than Micro, Small & Medium Enterprises | **6,940.32** | 7,662.93 |
| **Total** | **7,812.68** | **8,560.92** |

***16A Trade Payable Agewise details as at the end of current financial year:***

| Particulars | Outstanding for the following periods from due date of payment | | | | |
|---|---|---|---|---|---|
| | **Less than 1 year** | **1 - 2 years** | **2 - 3 years** | **more than 3 years** | **Total** |
| MSME | 498.97 | 74.61 | 48.60 | 250.19 | 872.36 |
| Others | 3,803.97 | 1,168.12 | 425.29 | 1,542.94 | 6,940.32 |
| Disputed dues - MSME | - | - | - | - | - |
| Disputed dues - Others | - | - | - | - | - |
| | **4,302.93** | **1,242.72** | **473.89** | **1,793.14** | **7,812.68** |

***16B TradePayable Agewise details as at the end of previous financial year:***

| Particulars | Outstanding for the following periods from due date of payment | | | | |
|---|---|---|---|---|---|
| | **Less than 1 year** | **1 - 2 years** | **2 - 3 years** | **more than 3 years** | **Total** |
| MSME | 509.03 | 91.73 | 38.08 | 259.14 | 897.98 |
| Others | 4,945.35 | 613.79 | 456.59 | 1,647.20 | 7,662.93 |
| Disputed dues - MSME | - | - | - | - | - |
| Disputed dues - Others | - | - | - | - | - |
| | **5,454.38** | **705.52** | **494.67** | **1,906.34** | **8,560.92** |

## NOTES FORMING PART OF BALANCE SHEET

(Rs. in Lakhs)

| | As at 31.03.2022 | As at 31.03.2021 |
|---|---|---|
| **17. Other Financial Liabilities** | | |
| **Current maturities of long-term Debts** | | |
| 4,43,00,000 3.5% Redeemable Preference Shares of ₹100/- each | **44,300.00** | 44,300.00 |
| **Loan from Govt. of India (Defaulted)** | | |
| Term Loan for a period of 5 Yrs. (Statutory Dues 2006-07) carrying rate of interest@ 15.50% | **782.00** | 782.00 |
| 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% | **16,070.61** | 16,070.61 |
| Term Loan for a period of 5 Yrs. (Working Capital) carrying rate of interest @13.50%) | **7,500.00** | 7,500.00 |
| Term Loan for a period of 5 Yrs. (Bridge Loan-1997 pay scales) carrying rate of interest @7.00%) | **6,104.00** | 6,104.00 |
| Interest accrued and due on borrowings | | |
| Loans from Government of India | **38,676.55** | 32,468.44 |
| Interest accrued but not due on borrowings | | |
| Loans from Government of India | **2,052.30** | 2,052.30 |
| **Total** | **119,881.65** | **113,673.55** |
| | | |
| **18. Other Current Liabilities** | | |
| Non Current | | |
| Government Grant from GOI- Deferred Income | **113.67** | **152.00** |
| Aid from HMT Limited | **22.80** | 22.80 |
| | **136.47** | **174.80** |
| **Current** | | |
| Machine Tools Bangalore Complex (MBX) | **26,935.07** | 23,948.83 |
| Machine Tools Division, Pinjore (MTP) | **22,003.33** | 19,269.19 |
| Machine Tools Division, Kalamassary (MTK) | **-178.57** | 355.61 |
| Machine Tools Division, Hyderabad (MTH) | **22,889.78** | 19,486.52 |
| HMT Praga Tools, Hyderabad (PTH) | **11,238.15** | 10,244.96 |
| Machine Tools Division, Ajmer (MTA) | **5,607.54** | 4,563.32 |
| Machine Tools Marketing Division, Bangalore (MTMD) | **3,046.95** | 2,493.73 |
| Machine Tools Directorate, Bangalore (MTD) | **-66,259.81** | -58,409.67 |
| Machine Tools Directorate, Bangalore (MTD) Res & Surp (Dep) | **-25,282.44** | -21,952.51 |
| Dues to Holding Company and its subsidiaries | | |
| HMT Ltd | **7,871.16** | 5,934.35 |
| EMD Deposit Received | **1,909.10** | 1,908.69 |
| Revenue received in advance | **4,397.37** | 4,396.62 |
| Sundry creditors- Dues | **503.72** | 653.56 |
| Other liabilities | **29,111.15** | 26,070.80 |
| **Total** | **43,792.51** | **38,964.03** |

# NOTES FORMING PART OF BALANCE SHEET

| | Warranty Claims | Provision for pay/ wage revision | Total |
|---|---|---|---|
| **19. Provisions - others** | | | |
| **At 1 April 2021** | **63.11** | **110.40** | |
| Arising during the period | 80.09 | - | |
| Utilised | -33.75 | - | |
| Unused amounts reversed | -13.99 | - | |
| **At 31 March 2022** | **95.46** | **110.40** | **205.85** |
| Current | 95.46 | 110.40 | 205.85 |
| **At 1 April 2020** | **84.82** | **110.40** | |
| Arising during the year | 60.17 | - | |
| Utilised | -56.73 | - | |
| Unused amounts reversed | -25.15 | - | |
| **At 31 March 2021** | 63.11 | 110.40 | 173.51 |
| Current | **63.11** | **110.40** | **173.51** |
| Non-current | - | - | - |

## NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(Rs. in Lakhs)

| | For the Year ended 31.03.2022 | For the Year ended 31.03.2021 |
|---|---|---|
| **20. Revenue from operations** | | |
| **Sale of Products** | | |
| Sale of Machine Tools | **11,235.57** | 13,705.04 |
| Sales of Accessories | **3,082.85** | 2,160.34 |
| | **14,318.42** | **15,865.38** |
| **Sale of Services** | | |
| Sundry Jobs and Miscellaneous Sales | **671.15** | 523.08 |
| Packing / Forwarding charges | **67.85** | 77.78 |
| Sale of services | **195.35** | 115.75 |
| | **934.34** | 716.61 |
| **Revenue from Operations** | **15,252.76** | **16,581.99** |
| **21. Other income** | | |
| **A. Other Income** | | |
| Recoveries from Staff/Others | **49.17** | 43.74 |
| Rent Received | **311.34** | 307.38 |
| Conveyance Recovered | **0.01** | 0.02 |
| Water Charges Recovered | **0.30** | 0.32 |
| Electricity Charges Recovered | **6.56** | 7.52 |
| Miscellaneous Income | **190.13** | 207.04 |
| Gains on Sale of Property, Plant and Equipment | **25.24** | 70.56 |
| Provisions Withdrawn | **96.92** | 295.62 |
| Govt. Grant | **38.33** | - |
| Sale of scrap | **89.97** | 117.40 |
| Training expenses recovered | **2.09** | 1.73 |
| Creditors Wrtitten off | **-** | 3.68 |
| **Total Other Income** | **810.07** | **1,055.01** |
| **B. Interest Income** | | |
| Interest income on Bank Deposits | **73.71** | 110.05 |
| Interest from Dealers/Others | **5.74** | 21.87 |
| | **79.45** | **131.93** |
| **Total Other Income (A+B)** | **889.51** | **1,186.94** |

# NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(Rs. in Lakhs)

| | For the Year ended 31.03.2022 | 31.03.2021 |
|---|---|---|
| **22 Cost of Raw Materials Consumed** | | |
| Raw materials and Components | | |
| Inventory at the beginning of the year/ Qter | **2,736.15** | 2,476.16 |
| Add: Purchases | **4,711.64** | 5,760.90 |
| | **7,447.80** | **8,237.05** |
| Add/Less: Inter Factory Transfer | **0.33** | 16.62 |
| Less: inventory at the end of the year/ Qter. | **2,326.93** | 2,736.15 |
| Cost of raw material and components consumed | **5,120.54** | **5,484.28** |
| Consumption of Stores, Spares, Tools & Packing Materials | **1,349.56** | 1,959.91 |
| Total raw materials and components consumed | **6,470.10** | **7,444.19** |
| **23. Changes in Inventory** | | |
| **Finished Goods** | | |
| Inventory at the beginning of the year/Qtr. | **8,400.24** | 8,891.16 |
| Less: inventory at the end of the year | **5,821.07** | 8,400.24 |
| **Changes in Inventory** | **2,579.16** | 490.93 |
| **Work in Progress** | | |
| Inventory at the beginning of the year/Qtr. | **4,708.48** | 5,904.20 |
| Less: inventory at the end of the year | **4,987.67** | 4,708.48 |
| **Changes in Inventory** | **-279.19** | 1,195.72 |
| **Goods In Transit** | | |
| Inventory at the beginning of the year/Qtr. | **-** | - |
| Less: inventory at the end of the year | **-** | - |
| **Changes in Inventory** | **-** | - |
| **Scrap** | | |
| Inventory at the beginning of the year/r | **215.33** | 214.15 |
| Less: inventory at the end of the year | **173.44** | 215.33 |
| **Changes in Inventory** | **41.89** | -1.18 |
| **Total** | **2,341.86** | **1,685.47** |
| **24. Employee benefits expense** | | |
| Salaries,Wages and Bonus | **5,138.87** | 5,789.96 |
| House Rent Allowance | **116.75** | 153.47 |
| Gratuity | **629.33** | 638.77 |
| Contribution to PF & FPS | **530.28** | 571.59 |
| Deposit Linked Insurance | **38.99** | 35.49 |
| Contribution to ESI | **4.22** | 5.99 |
| Welfare Expenses | **1,712.12** | 1,205.94 |
| | **8,170.56** | **8,401.22** |

## NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(Rs. in Lakhs)

| | For the Year ended | |
|---|---|---|
| | 31.03.2022 | 31.03.2021 |
| **25. Depreciation and amortization** | | |
| Depreciation of Property, Plant and Equipment | **635.57** | 613.78 |
| Amortization of Intangible assets | **140.61** | 140.61 |
| Depreciation on Investment Properties | **0.43** | 0.43 |
| | **776.61** | 754.82 |
| **26. Finance costs** | | |
| Government of India Loans | **6,208.10** | 6,197.93 |
| Cash Credit loans from Banks | **387.25** | 449.54 |
| Inter Corporate Loan | **1,828.66** | 1,648.53 |
| Interest on Bonds | **-** | 15.72 |
| Total finance costs | **8,424.01** | **8,311.72** |
| **27. Other expenses** | | |
| **Manufacturing Expenses** | | |
| Power and Fuel | **756.97** | 776.59 |
| Provision for Non Moving Inventories | **87.76** | 58.85 |
| Advertisement and Publicity | **2.45** | 8.30 |
| Rent | **29.42** | 29.82 |
| Rates and Taxes | **124.11** | 97.08 |
| Insurance | **40.54** | 45.66 |
| Service Charges Paid | **64.43** | 59.07 |
| Training Expenses - Skill Development | **1.12** | - |
| Water and Electricity | **132.98** | 136.39 |
| Repairs to building | **25.56** | 52.82 |
| Repairs to machinery | **61.80** | 42.83 |
| Printing and Stationery | **24.20** | 26.16 |
| Conference, Seminars and Training | **0.41** | 0.42 |
| Auditors Remuneration # | **6.30** | 6.13 |
| Provision for Doubtful Debts, Loans and Advances | **720.69** | 759.43 |
| Warranty claims | **80.09** | 49.68 |
| Interest on delayed payment of statutory dues | **99.25** | 60.19 |
| Travelling Expenses | **203.65** | 143.02 |
| Exchange Diferrence | **0.50** | 26.14 |
| Interest On Others | **195.71** | 154.81 |
| Bank Charges | **340.86** | 259.49 |
| Interest on delayed remittance | **387.34** | 225.65 |
| Remb of Exp - Holding Company | **13.84** | 11.86 |
| Carriage outwards | **128.19** | 74.62 |

# NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(Rs. in Lakhs)

| | For the Year ended | |
|---|---|---|
| | 31.03.2022 | 31.03.2021 |
| Technology Platform "SURGE" Expenses | **38.31** | - |
| Other Expenses | **1,228.89** | 1,454.40 |
| | **4,795.37** | **4,559.41** |
| Statutory Audit | **3.45** | 3.39 |
| Tax Audit | **1.61** | 1.58 |
| Cost Audit | **1.24** | 1.16 |
| | **6.30** | **6.13** |
| **28. Jobs Done for Internal Use** | | |
| Shop manufactured Special Tools | **263.35** | 108.85 |
| | **263.35** | **108.85** |

# NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(Rs. in Lakhs)

**32. Earning Per Share (EPS)**

| Particulars | 31-Mar-22 Rs.In Lakhs | 31-Mar-21 Rs.In Lakhs |
|---|---|---|
| Profit attributable to Equity holders: | | |
| Continuing Operations | ₹ (14,572.88) | ₹ (13,279.05) |
| Discontinued Operations | | |
| **Profit attributable to Equity holders for basic earnings** | **₹ (14,572.88)** | **₹ (13,279.05)** |
| Interest on convertible Preference shares | | |
| **Profit attributable to Equity holders of the parent adjusted for the effect of dilution** | **₹ (14,572.88)** | **₹ (13,279.05)** |
| Weighted average number of Equity shares for basic EPS* | 276,599,137 | 276,599,137 |
| Effect of dilution: | | |
| Convertible preference shares | | |
| **Weighted average number of Equity shares adjusted for the effect of dilution*** | **276,599,137** | **276,599,137** |
| **Earnings per share for continuing operations** | | |
| Basic, profit from continuing operations attributable to equity holders of the parent | **₹ (5.27)** | **₹ (4.80)** |
| Diluted, profit from continuing operations attributable to equity holders of the parent | **₹ (5.27)** | **₹ (4.80)** |

* 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-employement benefits obligations for the company's plan is shown below

| | 31-Mar-22 % | 31-Mar-21 % |
|---|---|---|
| Discount rate: | | |
| Gratuity plan | 6.58 | 6.17 |
| Settlement Allowance | 6.58 | 6.17 |
| Earned Leave Encashment | 6.58 | 6.17 |
| | | |
| 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 2022 | 31-Mar 2021 | 31-Mar 2022 | 31-Mar 2021 | 31-Mar 2022 | 31-Mar 2021 |
| Mortality Rate (as % of IALM (2012-14) (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% | | |
| Attrition Rate | | | | | 1% to 3% | 1% to 3% |
| Normal Retirement Age | 58yrs | 58yrs | 58yrs | 58yrs | 58yrs | 58yrs |
| Average Future Service | 11.68 | 9.9 | 11.68 | 9.9 | | |
| 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 2022 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 | | | | | | Contri-butions by em-ployer | 31-Mar-22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1-Apr-21 | 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 as-sumptions | Experi-ence adjust-ments | Sub-total in-cluded in OCI | | |
| | 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 | (5,851.75) | (201.98) | (375.37) | (577.35) | 1,113.59 | | | -143.78 | 241.05 | 97.27 | | (5,218.24) |
| Fair value of plan assets | 1,241.84 | | 78.61 | 78.61 | (1,113.59) | (22.43) | | | | -22.43 | 1,113.59 | 1,298.02 |
| **Benefit Liability** | **(4,609.91)** | **-201.98** | **-296.76** | **(498.74)** | **0.00** | **(22.43)** | **0.00** | **(143.78)** | **241.05** | **74.84** | **1,113.59** | **(3,920.22)** |

31 March 2021 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 | | | | | | Contri-butions by em-ployer | 31-Mar-21 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1-Apr-20 | 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 as-sumptions | Experi-ence adjust-ments | Sub-total in-cluded in OCI | | |
| | 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 | (7,018.14) | (233.77) | (377.86) | (611.63) | 1,673.96 | | | -132.96 | 237.02 | 104.06 | | (5,851.75) |
| Fair value of plan assets | 1,177.10 | | 85.34 | 85.34 | (1,673.96) | (20.60) | | | | -20.60 | 1,673.96 | 1,241.84 |
| **Benefit Liability** | **(5,841.04)** | **-233.77** | **-292.52** | **(526.29)** | **0.00** | **-20.60** | **0.00** | **-132.96** | **237.02** | **83.46** | **1,673.96** | **(4,609.91)** |

## B. Earned Leave Encashment

31 March 2022 changes in the defined benefit obligation and fair value of plan assets

| | | Defined Benifit cost charged to profit or loss | | | Remeasurement gains/(losses) in other comprehensive income | | | | | | Contri-butions by em-ployer | 31-Mar-22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1-Apr-21 | 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 as-sumptions | Experi-ence adjust-ments | Sub-total in-cluded in OCI | | |
| | 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 | (1,597.82) | (118.10) | (89.45) | (207.55) | 400.91 | | 0.00 | 24.63 | -24.63 | 0.00 | | (1,404.46) |
| Fair value of plan assets | 0.00 | | | | | | | | | | | 0.00 |
| **Benefit Liability** | **(1,597.82)** | **-118.10** | **-89.45** | **(207.55)** | **400.91** | **0.00** | **0.00** | **24.63** | **(24.63)** | **0.00** | **0.00** | **(1,404.46)** |

31 March 2021 changes in the defined benefit obligation and fair value of plan assets

| | | Defined Benifit cost charged to profit or loss | | | Remeasurement gains/(losses) in other comprehensive income | | | | | | Contri-butions by em-ployer | 31-Mar-21 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1-Apr-20 | 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 as-sumptions | Experi-ence adjust-ments | Sub-total in-cluded in OCI | | |
| | 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 | (1,830.39) | (134.60) | (102.19) | (236.79) | 469.36 | | 0.00 | -11.05 | 11.05 | 0.00 | | (1,597.82) |
| Fair value of plan assets | 0.00 | | | | | | | | | | | 0.00 |
| **Benefit liability** | **(1,830.39)** | **-134.60** | **-102.19** | **(236.79)** | **469.36** | **0.00** | **0.00** | **-11.05** | **11.05** | **0.00** | **0.00** | **(1,597.82)** |

**C. Settlement Allowance**

31 March 2022 changes in the defined benefit obligation and fair value of plan assets

| | | Defined Benifit cost charged to profit or loss | | | Remeasurement gains/(losses) in other comprehensive income | | | | | | Contri-butions by em-ployer | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1-Apr-21 | 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 as-sumptions | Experi-ence adjust-ments | Sub-total in-cluded in OCI | | 31-Mar-22 |
| | 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 | (233.43) | (23.83) | (12.22) | (36.05) | 64.19 | | 0.00 | 3.66 | 3.55 | 7.21 | | (198.08) |
| Fair value of plan assets | 0.00 | | | | | | | | | | | 0.00 |
| **Benefit liability** | **(233.43)** | **(23.83)** | **(12.22)** | **(36.05)** | **64.19** | **0.00** | **0.00** | **3.66** | **3.55** | **7.21** | **0.00** | **(198.08)** |

31 March 2021 changes in the defined benefit obligation and fair value of plan assets

| | | Defined Benifit cost charged to profit or loss | | | Remeasurement gains/(losses) in other comprehensive income | | | | | | Contri-butions by em-ployer | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1-Apr-20 | 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 as-sumptions | Experi-ence adjust-ments | Sub-total in-cluded in OCI | | 31-Mar-21 |
| | 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 | (290.70) | (25.25) | (15.22) | (40.47) | 100.16 | | 0.00 | -1.46 | (0.96) | (2.42) | | (233.43) |
| Fair value of plan assets | 0 | | | | | | | | | | | 0.00 |
| **Benefit liability** | **(290.70)** | **-25.25** | **-15.22** | **(40.47)** | **100.16** | **0.00** | **0.00** | **(1.46)** | **(0.96)** | **(2.42)** | **0.00** | **(233.43)** |

# 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** **(Rs. In Lakhs)**

| Particulars | As at 31 March 2022 | | As at 31 March 2021 | |
|---|---|---|---|---|
| | Decrease | Increase | Decrease | Increase |
| Change in Discounting rate | 152.73 | 141.45 | 179.61 | 166.33 |
| Change in rate of salary increase | 103.60 | 118.20 | 121.83 | 138.99 |
| Change in withdrawal rates | 4.73 | 6.04 | 5.56 | 7.10 |

**(ii) Settlement Allowance** **(Rs. In Lakhs)**

| Particulars | As at 31 March 2022 | | As at 31 March 2021 | |
|---|---|---|---|---|
| | Decrease | Increase | Decrease | Increase |
| Change in Discounting rate | 7.84 | 7.33 | 9.24 | 8.64 |
| Change in rate of salary increase | 6.59 | 7.78 | 7.76 | 9.17 |
| Change in withdrawal rates | 7.08 | 8.13 | 8.35 | 9.58 |

**(iii) Earned Leave Encashment** **(Rs. In Lakhs)**

| Particulars | As at 31 March 2022 | | As at 31 March 2021 | |
|---|---|---|---|---|
| | Decrease | Increase | Decrease | Increase |
| Change in Discounting rate | 60.27 | 66.30 | 68.58 | 75.43 |
| Change in rate of salary increase | 68.75 | 71.50 | 78.22 | 81.35 |
| Change in Attrition Rates | 1.86 | 2.03 | 2.11 | 2.31 |

The expected contributions for gratuity for the next financial year will be Rs. 2735.12 lakhs

# NOTES FORMING PART OF FINANCIAL STATEMENTS

**Segment reporting**

**Year ended 31 March 2022** (Rs. In Lakhs)

| | 31-Mar-22 | 31-Mar-21 |
|---|---|---|
| **Revenue from external customers** | | |
| India | 3,356.96 | 3,571.15 |
| Outside India | | |
| **Total revenue per consolidated Statement of profit or loss** | **3,356.96** | **3,571.15** |

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

Revenue from one customer amounted to 3357 Lakhs which is exceeding 10% of the revenue from operations for the year ended 31st March 2022.

Revenue from one customer amounted to 3571 Lakhs which is exceeding 10% of the revenue from operations for the year ended 31st March 2021.

# NOTES FORMING PART OF FINANCIAL STATEMENTS

| | PARTICULARS | As at 31.03.2022 | As at 31.03.2021 |
|---|---|---|---|
| 6 | Claims against the Company not Acknowledged as debts | | |
| | A. Tax related Claims pending in appeal | | |
| | i) Excise Duty | 32.31 | 32.31 |
| | ii) Sales Tax | 213.55 | 90.11 |
| | iii) Property Tax | 4,667.75 | 4,026.48 |
| | iv) Disputed Income Tax | | |
| | B. Employee related claims relating to lockouts, back wages, incentive & Annual bonuse etc., pending adjudication, to the exetent ascertainable | 390.97 | 391.90 |
| | C. Others (As shown in Annexure-A) | 9,614.82 | 8,259.24 |
| 6.1 | Measne profit liability, if any in respect of mumbai office premises pending final decision of the Court | - | 39.20 |
| 6.2 | Non receipt of related forms against levey of concessional sales Tax | 54.40 | 54.40 |
| 6.3 | Estimated amount of contracts remaining to be executed on capital account and not provide for | 525.48 | 475.00 |
| 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: | 1,002.91 | 749.95 |
| **8** | **Trade Receivables include:** | | |
| 8.1 | Dues towards erection and commissioning for a period exceeding one year. | 273.50 | 152.61 |
| **9** | **Advance include:** | | |
| 9.1 | Amounts recoverable from employees, advances, bonus etc., pending adjudication /negotiations. | 2.75 | 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. | 943.05 | 1,479.95 |
| **10** | **Current liabilities** | | |
| 10.1 | Dues to Micro and small enterprisses based on the information available with the Company | | |
| a | i) Principal | 872.36 | 897.98 |
| | ii) interest | 66.96 | 57.32 |
| b | Amount of Interest paid | 1.88 | 8.81 |
| c | Amount of interest accrued and remaining unpaid at the end of each accounting year | 65.08 | 48.51 |

| | | | |
|---|---|---|---|
| 12 | Balances under 'Trade Receivables', 'Loans & Advances' and 'Trade Payables' are subject to confirmation, although confirmation has been sought in most of the cases | | |
| | **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 | 155.68 | 161.37 |
| 16 | Individual item under Misc. Income exceeds 1% of the turnover of the unit and hence shown seperately in Annexure 1 | 164.47 | 220.00 |
| 17 | Previous year's figures have been reclassified wherever necessary to conform to this year's classification. | | |
| 18 | "Ind AS 103-Business Combinations: Praga Tools Ltd. Merged with HMT Machine Tools Ltd. Persuant 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 FINANCIAL STATEMENTS

**Annex - A**

**DISCLOSURE REQUIREMENT OF CONTINGENT LIABILITIES AS PER (IndAS 37)**

**"Others"**

**Rs. 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 | 291.29 |
| 2 | PF / EPS / ESI Cases | Demands raised by PF / EPS /ESI Authorities | 4,286.09 |
| 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. | 774.74 |
| 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. | 17.75 |
| 7 | Suppliers Claim | Disputed claims relating to supply of Material, its payment | 176.73 |
| 8 | Employees Co-op. Society | Interest on loan recoveries | 31.17 |
| 9 | Customer Claim | Customer / Court cases | 1,611.57 |
| 10 | Gratuity Cases& Interest | Cases filed before ALC(Central) Hyd | 1,317.15 |
| 11 | Goods & Service Tax, TDS/TCS | GST on GST interest | 1,022.47 |
| 12 | Deposits | Deposits pending long back with Customers | 60.21 |
| | **Total** | | **9,614.82** |

# NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT YEAR ENDED 31ST MARCH 2022

(Rs. in Lakhs)

| | | Year ended 31.03.2022 | | | Year ended 31.03.2021 | | |
|---|---|---|---|---|---|---|---|
| 1 | **CONSUMPTION OF RAW MATERIALS AND COMPONENTS** | | | | | | |
| | | **Unit** | **Qty** | **Value** | **Unit** | **Qty** | **Value** |
| | Steel | MT | 429.15 | 384.28 | MT | 559.45 | 435.69 |
| | Non-ferrous Metals | MT | 1.28 | 1.82 | MT | 0.53 | 0.18 |
| | Ferrous Castings | MT | 654.52 | 531.37 | MT | 399.62 | 345.98 |
| | Non-ferrous Castings | MT | 45.40 | 46.67 | MT | 184.24 | 107.08 |
| | Forgings | MT | 73.71 | 81.44 | MT | 96.47 | 86.87 |
| | Standard Parts | | | 3,034.23 | | | 3,414.39 |
| | Components | | | 590.33 | | | 887.36 |
| | Others | MT | | 450.40 | | | 206.73 |
| | | | | **5,120.54** | | | **5,484.28** |
| **2** | **TURNOVER** | **Unit** | **Qty** | **Value** | **Unit** | **Qty** | **Value** |
| | Machine Tools | Nos. | 294.00 | 11,159.73 | Nos. | 303.00 | 12,715.79 |
| | Die-casting and Plastic machinery | Nos. | - | | Nos. | - | |
| | Presses | Nos. | - | | Nos. | - | |
| | Printing Machines | Nos. | 3.00 | 75.84 | Nos. | 6.00 | 250.64 |
| | Cutter & Grinder | Nos. | - | | Nos. | - | |
| | Thread Rolling Machines | Nos. | - | | Nos. | - | |
| | CNC Lathe | Nos. | - | - | Nos. | 2.00 | 738.61 |
| | Sale of Services | | - | 195.35 | | - | 115.75 |
| | Accessories | | - | 3,082.85 | | - | 2,160.34 |
| | Sundry Jobs and Misce. Sales | | - | 671.15 | | - | 523.08 |
| | Packing, forwarding & Other charges | | - | 67.85 | | - | 77.78 |
| | | | | **15,252.76** | | | **16,581.99** |

# NOTES FORMING PART OF FINANCIAL STATEMENTS

## Additional Disclosure to P&L account

(Rs in Lakhs)

| Point No. | Particulars | | As at 31.03.2022 | | As at 31.03.2021 |
|---|---|---|---|---|---|
| 3 | INFORMATION REGARDING IMPORTS, EXPENDITURE AND EARNINGS IN FOREIGN CURRENCY/ EXHANGE AND CONSUMPTION | | | | |
| | (a) CIF VALUE OF IMPORTS: | | | | |
| | Raw Materials | | 381.17 | | 423.51 |
| | Components and Spare Parts | | 255.36 | | 796.69 |
| | Capital Goods | | - | | - |
| | Technology Transfer | | - | | 25.07 |
| | (b) EXPENDITURE IN FOREIGN CURRENCY ON ACCOUNT OF TRAVELLING EXPNS. (ON PAYMENT BASIS) | | - | | - |
| | (c) CONSUMPTION OF RAW MATERIALS, COMPONENTS, STORES & SPARE PARTS | | | | |
| | Imported | 10% | 618.31 | 15% | 1,115.23 |
| | Indigenous | 90% | 5,851.79 | 85% | 6,328.96 |
| | | **100%** | **6,470.10** | **100%** | **7,444.19** |
| | (d) EARNINGS IN FOREIGN EXCHANGE | | | | |
| | EXPORTS | | 0.88 | | 140.89 |
| | Routed through HMT(Inter national) Ltd., | | | | |
| | OTHERS | | - | | - |

Annexure -1

| Miscellaneous Income | (Rs in Lakhs) | |
|---|---|---|
| Particulars | **2021-22** | **2020-21** |
| Hospital Income | **127** | 87 |
| Training Expenses Recovered | **0** | 26 |
| Income from disposal scrap | **-** | 50 |
| Electricity charges recovered | | 5 |
| Charges recovered(Frieght & Insurance) | | 9 |
| Misc.income- HMT Township | **1** | 29 |
| Misc.income general(OBS,WAGES,IBS) | **9** | - |
| Interest on FDR, Central Office | | 10 |
| Ground rent | **26** | 4 |
| Bad Debts Recovery | **2** | - |
| **Total** | **164** | **220** |

## RATIO ANALYSIS

| Ratio | Numerator | Denominator | FY 2021-22 | FY 2020-21 | % Variance | Reason for Variance |
|---|---|---|---|---|---|---|
| Current Ratio | Current Assets | Current Liabilities | 0.17 | 0.19 | -0.14 | |
| Debt-Equity Ratio | Total Debt | Shareholder's Equity | -1.23 | -1.28 | -0.04 | |
| Debt Service Coverage Ratio | Earnings available for debt service | Debt service | -0.08 | -0.06 | 0.25 | Decrease in EBITDA and Increase in Loan in 2021-22 |
| Return on Equity Ratio | Net Profit after taxes | Average Shareholder's equity | -9% | -9% | 0.00 | |
| Inventory turnover ratio | Cost of goods sold or Sales | Average Inventory | 1.45 | 1.27 | 0.14 | |
| Trade Receivables turnover ratio | Credit Sales | Average Trade receivables | 1.06 | 1.20 | -0.12 | |
| Trade payables turnover ratio | Net Credit Purchases/ Services | Average Trade Payables | 0.77 | 0.92 | -0.16 | |
| Net capital turnover ratio | Net Sales | Average Working Capital | -9% | -11% | -0.16 | |
| Net profit ratio | Net Profit before taxes | Revenue | -90% | -75% | 0.21 | |
| Return on Capital employed/ Return on Investment | Earnings before interest and taxes | Capital Employed = Tangible Net Worth + Total Debt | -0.04 | -0.03 | 0.13 | |

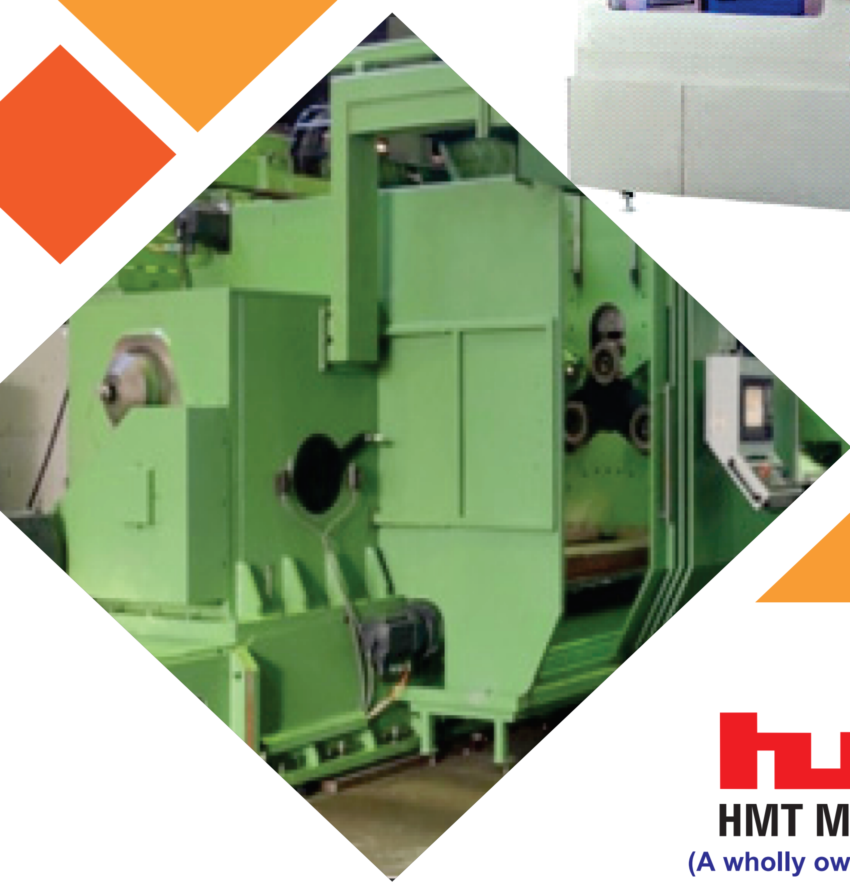
Note: Alongwith Numerator and Denominator. Explanation to be provided for the ratios changes more than 25% compare to previous year


Dr. Mahendra Nath Pandey Hon'ble Minister , Ministry of Heavy Industries during his Visit to MBX Unit. Shri A.K. Jain, then C&MD, Shri M.R.V. Raja, GM(O&M)-HMT Limited, Shri Naresh T. Gurudasani, GM-MBX on the dias.

Shri Kumar Radharaman, Asst. Director(Rajbhasha), MHI with Shri Sumit Sadhya, GMM and other executives of MTP unit during his Visit to the unit for taking update on OL activities of the unit

Shri A.K. Jain, then C&MD during his Visit at MTA Unit with Shri Jitendra Kumar Prasad, GTM-MTA, & other Employees of MTA Unit

Shri Arun Goel, Secretary MHI was briefed about the MTK Unit by Shri P.S. Suresh, GTM, MTK during his visit at MTK Unit.

**HMT Machine Tools Limited**

(A wholly owned subsidiary of HMT Limited)

CIN No : U02922KA1999GOI025572

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