HMT MACHINE TOOLS LIMITED

CONTENTS

BOARD OF DIRECTORS

Shri. S. Girish Kumar	Chairman / Managing Director (w.e.f. 01-11-2017)
Shri B. M. Shivashankar	Managing Director (I/c) & Director (Technology) (upto 31.10.2017)
Shri. Vishvajit Sahay	Director
Shri Siya Sharan	Director
Shri Raj Kumar	Independent Director

STATUTORY AUDITORS

M/s. V. R. Murali & Co. — Chartered Accountants

BANKERS

UCO Bank

Punjab National Bank

Andhra Bank

State Bank of Travancore

REGISTERED OFFICE

"HMT BHAVAN"

59, Bellary Road

Bangalore - 560 032

PERFORMANCE HIGHLIGHTS

(₹ in lakhs)

	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
OPERATING STATISTICS										
Sales	17708	19752	21783	18859	17525	23623	24046	21068	20962	20060
Other Income	2825	2860	2054	2267	5767	1591	2330	1372	2851	3125
Materials	7583	7829	8968	7787	6842	10196	9982	7108	7602	8125
Employee Costs	13137	13176	14588	17059	13411	13402	13864	15248	12410	13754
Other Costs	5895	7,961	5,348	5,280	4,817	2832	5343	7144	4942	5435
Depreciation	970	1010	965	1004	897	946	978	985	788	565
Earning Before Interest	-7051	-7364	-6033	-10004	-2675	-2162	-3791	-8045	-1929	-4694
Interest	5874	5395	4633	2694	2591	2203	1599	1261	739	-250
Earnings /(Loss) Before Tax	-12925	-12759	-10666	-12698	-5266	-4365	-4614	-9306	-2668	-3657
Taxation	-	-	-	-	-	-	-	-	-	60
Net Earnings	-12925	-12759	-10666	-12698	-5266	-4365	-4614	-9306	-4580	-3717
FINANCIAL POSITION										
Net Fixed Assets	5472	6019	6731	7151	8027	8924	8489	9382	9432	7375
Current Assets	28116	27990	27018	27374	25310	23392	22969	21672	25521	31448
Current Liabilities & Provisions	151335	134168	114652	101644	54535	48927	47259	29570	26857	27059
Working Capital	-123219	-106178	-87634	-74270	-29225	-25535	-24290	-7898	-1336	4389
Capital Employed	-117747	-100159	-80903	-67119	-21198	-16611	-15801	1484	8096	11764
Investments										
Miscellaneous Expenditure	-	-	-	-	-	-	-	4	6	8
Borrowings	5288	10335	16797	19035	4234	3554	-	12675	9,983	9073
Net Worth	-123035	-110493	-97698	-86153	-25432	-20166	-15801	-11191	-1887	269
OTHER STATISTICS										
Capital Expenditure	-	-	-	-	-3	-1384	-105	-988	-2893	-3809
Internal Resources Generated	-11955	-11749	-9701	-11694	-4369	-3419	-3636	-8321	-3792	-3152
Working Capital Turnover Ratio	-0.14	-0.19	-0.25	-0.25	-0.60	-0.93	-0.99	-2.67	-15.69	4.57
Current Ratio	0.19	0.21	0.24	0.27	0.46	0.48	0.49	0.73	0.95	1.16
Return on Capital (%)	8.43	7.10	6.94	3.48	3.59	3.71	1.55	-0.51	-2.17	-3.80
Employees (Nos)	1,425	1651	1902	2218	2567	2950	3278	3652	3808	3826
Per capita Sales	12.43	11.96	11.45	8.50	6.83	8.01	7.34	5.77	5.50	5.24

DIRECTORS' REPORT 2017-18

To,
The Members,
HMT Machine Tools Limited
Bangalore

Dear Members,

Your Directors have pleasure in presenting their nineteenth Annual Report on the business and operations of the Company and Annual Financial Statements of the Company for the Financial Year 2017-18 along with the Auditors' Report there on.

Financial summary / Performance of the Company

(Rs. in crore)

Earnings	Current year 2017-2018	Previous year 2016-2017
Gross Income	177.08	197.52
Profit before Interest and Depreciation	-60.81	-63.54
Finance Charges	58.74	53.95
Gross Profit	-119.55	-117.49
Provision for Depreciation & Amortized	9.70	10.09
Net Profit Before Tax excluding OCI	-129.25	-127.59
Provision for Tax		-
Net Profit After Tax	-129.25	-127.59

Your Company achieved a Sales turnover of Rs. 177.08 Cr. during the year 2017-18 as compared to Rs. 197.52 Cr. in the previous year. The Production performance was Rs.163.15 Cr for the year under review as against Rs. 183.83 Cr. achieved during the previous year. Orders valued Rs. 174.56 Cr. were procured during the financial year 2017-18 as against Rs. 168.29 Cr. in the previous year.

The operations of the Company resulted in a Net Loss of Rs. (-)129.25 Cr. as against the loss of Rs. (-) 127.59 Cr. (excluding OCI) incurred in the previous year.

MARKET SCENARIO AND FUTURE OUTLOOK FOR 2018-19

India is emerging as fastest growing economy in the world. According to The International Monetary Fund (IMF) , the Indian economy will likely to grow at 7.4 per cent in 2018-19 and 7.8 per cent in 2019 with medium term prospects remaining positive. The World Bank acknowledge that disruptions from demonetization and events surrounding the implementation of GST led to set back in the economic activity for short time and looking ahead , return to business as usual.

India stands 12th in production and 8th in the consumption of machine tools in the world as per the 2017 Gardner Business Media Survey. The country is set to become a key player in the global machine tools industry and is likely to see substantial high end machine tools manufacturing. With emphasis on Make in India and manufacturing growth, for which the machine tools serves as mother industry.

Domestic consumption is also expected to increase due to increase in allowances announced by Central Government for 7th Pay Commission and secondly due to revival in rural demand after normal monsoon and agricultural impetus. The automotive sector is also steadily picking up which is expected to give fillip to MSME's in the country. The development of MSME's is also one of the principle objectives of the Government. In view of the thrust given by the government for Make in India program, Jump in order flow in mining & metals and railway sector is expected during 2018-19 in comparison with the previous year. All this in turn is expected to boost the demand for machine tools during 2018-19.

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 2017-18.

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 2018 is Rs. (-) 1230.35 Cr.

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 along with comparatives for the previous year 2015-16. As required, the Company has also prepared an Ind As complaint opening Balance Sheet as on the date of transition to Ind AS, i.e, 1st April 2015.

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

An explanation of how the transition from previous GAP (IGAAP) to Ind AS has affected the reporting Balance Sheet, financial performance and cash flows has been provided at note of the standalone and Consolidated financial statements.

Fixed Deposits

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

Enterprise Risk management

Establishment of Risk Management system as per provisions of Companies Act, 2013 is under process.

Particulars of Employees

There were no employees of the Company who 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 31.3.2018 stood at 1426 during the year under review, 225 employees have separated from the Company.

The details of different categories of personnel in position as on 31.3.2018 are given hereunder:

Scheduled Castes	272
Schedule Tribes	64
Other Backward Class	414
Ex-service men	3
Person with Disabilities (PWD)	23
Minority	180

EMPLOYEE RELATIONS

Harmonious and cordial Industrial relations prevailed throughout the Company during the year despite difficulties faced in operation. Further, no IR problems were noticed during the year.

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 interval in every quarter.

In order to propagate the usage of Hindi as Official Language, Hindi Pakhwada was observed during the month of September 2017. Various competitions in Hindi Story Writing, Hindi News Paper Reading, Hindi Quiz writing, Hindi conversation, Hindi Antyakshari etc., were organized and participants were awarded prices. A workshop was organized during the above period. The Company regularly take part in the meetings and competitions organized by Town Official Language Implementation committee.

Vigilance Activities

The Company has adopted a pro- active approach to bring vigilance awareness amongst all employees and other stakeholders. The vigilance cells at all units are functioning and keeping watch on the overall activities of the Company. The vigilance officers at each unit carry out surprise checks and periodic inspection in various departments. Reporting system is being adopted to monitor and keep vigil on overall administration. Transparency in various areas of the Company / operations helps to achieve vigilance objectives.

Apart from regular inspections by Unit Vigilance officers, CVO of the Company conducts CTE type surprise and regular inspections of high value purchase / contracts and systems by visiting various Subsidiaries and Units.

CORPORATE GOVERNANCE

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

A report on the Corporate Governance is annexed as part of this report along with the Compliance Certificate from the Auditors. A Report on Management Discussion & Analysis and a declaration by the Managing Director for having obtained affirmation of compliance of the Code of Conduct by the Board Members and Senior Management for the year ended March 31, 2018 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.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMAN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

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

Transfer of Unclaimed dividend to Investor Education and protection Fund

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

Directors' Responsibility Statement

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

- ✓ that in the preparation of the annual financial statements for the year ended 31.03.2018, 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 Accordingly, your Company has not formulated any separate policy in respect of appointment or evaluation of senior management and key managerial personnel.

Extract of Annual Return

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

AUDITORS

M/s V. R. Murali & Co, Chartered Accountants, were appointed as Statutory Auditors of the Company for the year 2017-18 by the Comptroller & Auditor General of India and separate Branch Auditors were also appointed for the Company.

Disclosure about Cost Audit

Your company has appointed Cost Auditors for the year 2017-18 to conduct cost audit for various units as under:.

1) M/s Venkanna & Co., Cost Accountants, Bangalore-560 050 for auditing the cost records maintained by the Company in respect of MBX, MTK, MTH, PTH and consolidation audit of HMT Machine Tools Limited.

2) M/s M K & Associates, Cost Accountants, for auditing the cost records maintained by the Company in respect of MTP Unit.

3) M/s R. K. Bhandari, Cost Accountants, for auditing the cost records maintained by the Company in respect of MTA unit.

Secretarial Audit Report

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

Declaration from Independent Directors

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

Directors and Key Managerial Personnel

The Ministry of Heavy Industries and Public Enterprises, Department of Heavy Industry, New Delhi vide Presidential order No. 1-05/4/2017-P.E.10 dated 27th October, 2017 conveyed the approval of the Competent Authority for entrustment of additional charge of the post of Managing Director of the Company to Shri S . Girish Kumar, CMD, HMT Limited for a period of 3 months w.e.f 01.11.2017 and extended his appointment for further period of six months.

Shri S Girish Kumar retires at the ensuing Annual General Meeting and is eligible for reappointment.

Shri B.M. Shivashankar, has ceased to be Director and Key Managerial Personnel of the Company w.e.f 1st November 2017 on Completion of term of his appointment as per Presidential order No. 5-1(12)/2010-P.E.X dated 11th December, 2015.

Acknowledgements

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

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

For and on behalf of the Board of Directors

(S. Girish Kumar)
Chairman

Place: Bengaluru
Date : 17th August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

A Industry Structure and Development

As per data available from IMTMA for the FY 2017-18, the Indian Machine tool Industry has around 1000 units in the production of machine tools, accessories/attachments, subsystems and parts. Of these, around 25 in the large scale sector account for 70 percent of the turnover and the rest are in the SME sector of the industry. Approximately, 75 per cent of the 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 ancillary and other units The Machine Tools industry can be broadly classified into metal-cutting and metal-forming tools, based on the type of operation. Metal cutting accounts for 60 per cent of the total output of machine tools in India. Metal cutting tools include turning centres, machining centres and grinding centres which account for nearly two-thirds of the total metal cutting production. Metal forming is dominated by presses, which account for 30 percent share. Based on technology, machine tools can be classified into CNC (Computerised Numerically Controlled) and conventional machine tools. CNC machine tools, which are highly productive and cost effective comprising nearly 80 percent of machine tools. Of these, CNC turning centres, machining centres and grinding centres are the biggest segments, accounting for nearly 62 per cent of the total CNC machine tools production in India. During 2017-18, country's consumption of machine tools was estimated Rs. 14,691 Cr. out of which contribution from domestic production is around Rs. 7293 Cr. the gap of Rs. 6,985 Cr. is addressed by imports which is around 52% of total consumption. The increasing domestic demand which is not currently met by domestic production indicates the vast business potential available within the country for machine tools. Further, as per IMTMA during the year 2017-18 there is a growth of 25% in Indian Machine Tools Industry and Indications show a good order book going into 2018-19 which augurs well for the Industry. IMTMA projected strong growth of Automobiles and auto components sectors as well as investments in infrastructure sector , the machine tool industry can expect a healthy growth in the near term and advised members to focus on broad basing customer segments such as Defence, Aerospace, Railways, etc., in addition to particularly, strengthening MTI to meet challenges of disruptions such as Addictive Manufacturing, EVs, etc.

B Strengths:

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

C Opportunities:

- Expansions in strategic sector, will fuel demand for Machine Tools.
- Growth in power, nuclear power, Aerospace to fuel demand for Machine Tools.
- Impetus being given by Government for growth in manufacturing sector (Make in India).
- Global hub for manufacturing components
- Tie- up with major players in the field and diversification to medical equipments manufacturing

D Threats:

- Increasing interest rates
- Lowering of import duty.
- Influx of second hand / reconditioned imported machines.
- shortage of skilled Manpower in critical area

E Segment wise or Product wise Performance

Segment wise Performance: Segment wise sales for the year 2017-18 of the Company is as under-

Sector	Rs. in Lakhs
Auto & Auto Ancillary	1059
Railways	590
Defense	7702
Agricultural Machinery	16
Mining & Metals	796
Industrial Machinery	520
Industrial Intermediates	473
Power	2114
Consumer Durables	410
Others	3203
Total	**16883**

F Outlook

Demand for machine tools accrues from the manufacturers of primary goods and intermediate goods. The primary user industries include the automotive sector, capital goods sector and consumer durables sector. Prominent users of machine tools in the intermediate goods sector include the auto components, the ball and roller bearings and electronic components. Only sectors like Agriculture Machinery, Power, Defence, Railways and industrial Machinery/intermediates recorded a good growth in turnover during 2017-18. This growth in various sectors presents a positive outlook for improving the company's business during 2018-19.

G Internal Control System and their Adequacy

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

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

H Human Resources

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

I Corporate Social Responsibility

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

CORPORATE GOVERNANCE

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

Board of Directors

As on 31.03.2018, the Board of Directors comprised of Chairman, Managing Director(I/c), two part -time Official Director and one Non official Independent Director.

During the year 2017-18, four Board Meetings were held on May 30, July 28, October 09, in the calendar year 2017 and on January 30, in the calendar year 2018. The composition of Directors and their attendance at the Board Meetings and at the General Meetings during the year are as follows:

Name	Category	Attendance particulars			No. of other Directorships and Committee Member /Chairmanship held		
		Board Meetings	Attendance % in Board Meeting	General Meeting	Directorship	Committee Membership	Committee Chairmaship
Shri S.Girish Kumar	C & NENI	4	100%	1	7	2	-
Shri Vishvajit Sahay	NENI	4	100%	NA	4	1	-
B. M. Shivashankar Ceased to be Director w.e.f 01.11.2017	ENI	3	100%	NA	5	-	-
Shri Siya Sharan	NENI	3	75%	NA	2	3	-
Shri Raj Kumar	NEI	4	100%	NA	0	-	-

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

Committees of the Board

The Audit Committee of the Company has been reconstituted on 30 May 2017. During the year 2017-18, three Meetings of the Audit Committee were held on July 28, October 09, in the calendar year 2017 and on January 30, in the calendar year 2018. The composition of and the attendance of Directors during the year are as follows:

Name of the Director	Designation in the committee	Attendance particulars		
		No. of Meeting eligible to attend	No. of Meeting Attended	Percentage of attendance %
Shri Raj Kumar	Chairman	3	3	100%
Shri S. Girish Kumar (w.e.f. 30.01.2018)	Member	0	NA	NA
Shri Siya Sharan	Member	3	2	66.67%
B.M. Shivashankar (up to 31.10.2017)	Member	2	2	100%

Remuneration of Directors

The details of remuneration of whole time Director is given below:

(Amount in Rs.)

Sl. No.	Particulars	Shri B.M. Shivashankar (upto 31.10.2017)
1	Salary	7,21,218
2	Provident Fund	78,579
3	Others (W.A., EL & P.Bonus	65,930
4	Gratuity	32,116
	Total	**8,97,843**

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 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
2014-15	14.09.2015	11.00 A.M.	Registered Office at No.59, Bellary Road, Bangalore-560 032
2015-16	28.09.2016	11.45 A.M.	As above
2016-17	28.11.2017	11.00 A.M.	As above

Annual General Meeting for the current year is scheduled to be held in the month of August 2018 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 2016-17 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.

Annexure to the Directors' Report

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

a) Energy Conservation measures taken:

i. Created awareness on the importance of energy conservation and practices among employees & residents has resulted in reduction of electricity consumption.

ii. Focused on reducing scrap and rework to conserve energy.

iii. Use of timer or automatic sensor to turn off pumps and fans.

iv. Replacing fluorescent tubes with LED lights & Solar Panels .

v. Lights / Fans / Exhaust Fans etc being switched off when not in use.

vi. Optimum usage of all electrical appliances

vii. Using solar energy in the canteen for cooking

viii. Shutoff unnecessary printers, computers, copier machines at night.

ix. Idle running of Machines avoided.

x. Replacing energy efficient motors.

xi. Check for under voltage & over voltage conditions.

xii. Compressed air leakage minimized and are being switched off during shift change / Lunch break

xiii. Instead of using of 150Hp compressor, 50 Hp compressors are put to use

xiv. Controlling the Maximum demand of electricity to reduce the Electricity Bill and usage of Natural light

xv. By carrying out regular maintenance to optimise furnace performance and maintain yield resulting reduction in energy consumption

xvi. Job planning in Heat Treatment / Foundry Furnaces resulted in reduction of specific energy consumption

xvii. Running Induction Furnace on Sunday to reduce maximum demand and consumption of diesel

xviii. Retrofitting of furnace with heat recovery devises.

xix. Maintaining Power factor up to 0.98 and getting cash rebate in Electricity Bill during 2017-18

xx. Preventive maintenance of power capacitors at sub station

xxi. Under loading of Stress Relieving Furnace is avoided.

xxii. Maximized utilization of Omega sand mixer thereby savings in energy.

xxiii. Maximized utilization of medium frequency furnace and reduced usage of line frequency furnaces in Foundry.

xxiv. Replacement of fixed roof tops panel with transparent panels in shop floor and training centres for use of nature Lights.

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

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

c) Impact on cost of Production of Goods:

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

d) Total energy consumption per unit of production:

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

B. TECHNOLOGY ABSORPTION-FORM B

Research and Development (R & D)

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

a. Technology tie-up with Fraunhofer, Germany for design & development of high accuracy 'C' Axis for SBCNC 60 N Lathe and 4 Guideway 20 Ton CNC lathe. Project under advanced stage of implementation.

b. R &D status for units at Hyderabad and Bangalore to carry out research & development activities.

Technology Tie-ups (under process)

i) Technology tie-up for building Flow forming machine with FT Machines, Germany.

ii) Technology tie-up with INNSE-BERARDI, Italy for supply of heavy duty Rotary table 150 Ton on special Boring machine.

iii) Technology/ business tie-up with SMS Germany to build special presses under process.

A. Technology enhancement / up-gradation for product development:

- Successfully designed, developed & supplied Oil Country Lathe L60CNC/1500 with double chucking technology to M/s ONGC, Baroda.
- Successfully Designed, Developed & supplied 2 nos. of 4 Guideway Lathe HDL CNC/6M having weight 10 tons with steady rest to M/s Steel Factory, Ishapure.
- Successfully designed, developed headstock for 4 Guideway Lathe having carrying capacity of 20 tons with technical co-operation of Fraunhofer, Germany.
- High resolution C Axis facility for SBCNC 60 N machine developed in association with Fraunhofer, Germany.
- Established super duplex steel which is a superior material compared with machine steel grade steel for manufacturing critical components of Directing Gear.
- Successfully designed, developed & manufactured one no. Multi tooling Shell Turn machine.
- Successfully developed Special Purpose Machine CMT 200 for machining Brake Actuator shaft cam milling operation for automobile industry.
- Designed, Developed, Manufactured State-of-Art Machine "BH-112" (3 Axis CNC Vertical Facing Mill) to M/s ISRO, SHAR for machining hazardous rocket motor solid propellant and high speed machining of motor casing insulation.
- Designed, Developed and Manufactured Twin Ram VTL machine VT-522 for NFC, Hyderabad for machining operations like Boring, Counter Boring, Grinding of HEP and VPP containers.
- Designed & Developed Spent Fuel Chopper machines H1914 and H1915 valued Rs. 22.18 Cr for BARC, Mumbai for cutting 37 Pin Bundle.
- Successfully Designed, Developed & Manufactured for the first time 3 Axes CNC Rotary Surface Grinding Machine Model RSG-600 CNC for M/s Heavy Vehicles Factory, Avadi, Chennai for grinding various types of components.

B. Development of existing machines:

Successfully developed & supplied 2 nos. Vertical Machining centers model: VMC1200 M with extended traverse 700 mm to M/s Ordnance Factory, Medak.

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. Need based out sourcing of B and C class item operations.

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

Improvement in order inflow

3. Future Plans of action:

a. Setting up of Vocational Training Centre for machine tools for capital goods sector in collaboration with iMove of Germany under DHI, Govt. of India funding.

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

b. Action initiated for development of new generation Servo Manipulator for IGCAR.

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

d. Medical Equipments & accessories.

e. Winch Assembly for Indian Navy under progress.

f. 5 axes CNC Filament Winding Machine with turning attachment.

g. Industrial Robotics with Hiwin, Taiwan

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

a) Capital	Rs.	-
b) Recurring	Rs.	173.09
Total	Rs	173.09

5. Total R & D Expenditure 0.98%
(as % of Turnover)

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

a. Signed MoU with CMTI for development of Multi Spindle Automats (Multi Axis Machining Centres), Combined Pin & Journal Grinding Machine & Multi Tasking machine. CMTI will take up product technology development and will transfer the technology to HMT MTL for commercial production.

b. JWA signed with M/s Fraunhofer, Germany for design & development of high accuracy 'C' Axis for SBCNC 60 N Lathe and Headstock Analysis of CNC 4 Guideway Heavy Duty Lathe for load carrying capacity up to 20 tons. Project under advanced stage of implementation at Kalamassery & Bangalore units respectively.

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

d. MoU signed with iMove, Germany for setting up of Vocational Training Centre for machine tools for capital goods sector with DHI, Govt.of India funding.

e. HMT Kalamassery Unit under Skill Development & Training:

➢ Signed MoU with M/s FISAT & Toc H engineering colleges for student training and industry association.

➢ Signed MoU with M/s SMEC a Kochi based training institute for providing advanced training in CNC, Maintenance & production technology.

➢ Signed agreement with M/s Tech Path, Kochi a design & engineering consultancy firm of providing training in Design & CAD Cam area.

C. FOREIGN EXCHANGE EARNING AND OUTGO

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

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	50.09
2.	Outgo of Foreign Exchange (CIF value of imports)	1918.18
3.	Expenditure in Foreign currency on account of travelling	5.76
4.	Currencies on account of Royalty, Know-how / Professional Fees, Interest and other matters	NIL

* * * * * * *

Annexure - I

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31.03.2018

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

I. REGISTRATION AND OTHER DETAILS:

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

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main Products/ Services	NIC/CETA Code of the Product/ service	% total turnover of the company
1	Manufacturers of machine tools for turning, drilling, milling, shaping, planning, boring, grinding etc.,	28221	85%
2	Repair & Installation of machines & equipment motor vehicle.	8466	11%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding Subsidary Joint Venture	% of shares held associate
1	HMT Limited	L29230KA1953PLC000748	Holding	100

IV. SHAREHOLDING PATTERN (Equity Share Capital Break up as percentage of Total Equity)

i) Category-wise Share Holding

Cate-gory Code	Category of Shareholders	NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR				NO. OF SHARES HELD AT THE END OF THE YEAR				% Change during
		Demat	Physcial	Total	% of Total Shares	Demat	Physcial	Total	% of Total Shares	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)	(XI)
(A)	**PROMOTER AND PROMOTER GROUP**									
(1)	INDIAN									
(a)	Individual /HUF									
(b)	Central Government/State Government(s)									
(c)	Bodies Corporate									
(d)	Financial Institutions / Banks									
(e)	Government Companies	0	276599137	276599137	100	0	276599137	276599137	100	0
	Sub-Total A(1) :	0	276599137	276599137	100	0	276599137	276599137	100	0
(2)	FOREIGN	NIL								
	Sub-Total A(2) :	-	-	-	-	-	-	-	-	-
	Total A=A(1)+A(2)	0	276599137	276599137	100	0	276599137	276599137	100	0
(B)	**PUBLIC SHAREHOLDING**	**NIL**								
	Sub-Total B(1) :	-	-	-	-	-	-	-	-	-
(2)	NON-INSTITUTIONS	Nil								
	Sub-Total B(2) :	-	-	-	-	-	-	-	-	-
	Total B=B(1)+B(2) :	-	-	-	-	-	-	-	-	-
	Total (A+B) :									
(C)	Shares held by custodians, against which	NIL								
(1)	Depository Receipts have been issued Promoter and Promoter Group									
(2)	Public									
	GRAND TOTAL (A+B+C) :	**0**	**276599137**	**276599137**	**100**	**0**	**276599137**	**276599137**	**100**	**0**

ii) Shareholding of Promoters

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

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

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

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

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

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

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

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

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(Rs. in Lakhs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year as on 01.04.2017				
i) Principal Amount	3284.05	34,852.80	-	38136.85
ii) Interest due but not paid	-	9319.71	-	9319.71
iii) Interest accrued but not due	-	1793.64	-	1703.64
Total (i+ii+iii)	**3284.05**	**45966.15**	**0.00**	**49250.20**
Change in Indebtedness during the financial year				
- Addition	-	5389.12	-	5389.12
- Reduction	19.47	-	-	19.47
Net Change	**19.47**	**5389.12**	**0.00**	**5369.65**
Indebtedness at the end of the financial year 31.03.2018				
i) Principal Amount	3264.58	34852.80	-	38117.38
ii) Interest due but not paid	-	14588.53	-	14588.53
iii) Interest accrued but not due	-	1913.94	-	1913.94
Total (i+ii+iii)	**3264.58**	**51355.27**	**0.00**	**54619.85**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Whole-time Director:

Amount in Rs.

S.No.	Particulars of Remuneration	Name of MD/WTD/ Manager Shri B. M. Shivashankar
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act,1961 (b) Value of perquisites u/s17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	 7,21,218/- - -
2	Stock Option	-
3	Sweat Equity	-
4	Allowances and others (W.A, EL & P. Bonus)	65,930/-
5	Provident Fund	78,579/-
6	Gratuity	32,116/-
	Total (A)	8,97,843/-
	Ceiling as per the Act	-

B. Remuneration to other Directors:

Independent Directors :

Amount in Rs.

Particulars of Remuneration	*Shri. Raj Kumar* *(Independent Director)*
- Sitting fees for attending board/committee meetings	29,000/-
- Commission	-
- Others, please specify	-
Total (1)	29,000/-
Other Non-Executive Directors	
Particulars of Remuneration	-
Total (2)	-
Total (B)=(1+2)	29,000/-
Total Managerial Remuneration	**29,000/-**
Overall Ceiling as per the Act	-

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Amount in Rs.

Sl. No.	Particulars of Remuneration	Key Managerial Personnel
		Shri Om Prakash Singh (Company Secretary)
1.	Gross salary(a)Salary as per provisions contained in section 17(1) of the Income -tax Act,1961	5,14,585/-
	(b)Value of perquisites u/s17(2) Income-tax Act,1961	
	(c)Profits in lieu of salary under section 17(3)Income-tax Act, 1961	
2.	Stock Option	-
3.	Sweat Equity	-
4.	Allowances and others (W.A, EL & P. Bonus)	23,361/-
5.	Provident Fund	63,680/-
6.	Gratuity	25,085/-
	TOTAL (A)	**6,26,711/-**

VII: PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES: NIL

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

Due to absence/inadequacy of profits the Company Could not take up any CSR PROJECTS for the year 2017-18

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

(S. GIRISH KUMAR)
Managing Director

Place: Bengaluru
Date : August 17, 2018

Form No. MR-3

Secretarial Audit Report for the financial year ended 31st March 2018

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

To
The Members
M/s. HMT Machine Tools Limited
(CIN: U02922KA1999GOI025572)
No.: 59, Bellary Road,
Bangalore - 560 032

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

Management's Responsibility for Secretarial Compliances:

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

Auditor's Responsibility:

My responsibility is to express an opinion on the secretarial records, standards and procedures followed by the Company with respect to secretarial compliances. I believe that audit evidence and information obtained from the Company's management is adequate and appropriate for me to provide a basis for my opinion. Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and read with the Statutory Auditors' Report on Financial Statements and Compliance of the conditions of Corporate Governance and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion and to the best of my information, knowledge and belief and according to the explanations given to me, the company has, during the audit period covering the financial year ended on 31st March 2018 (Audit Period) generally complied with the applicable statutory provisions listed hereunder and also that the Company has proper Board - processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by M/s. HMT Machine Tools Limited for the financial year ended on 31st March 2018 according to the provisions of:

1. The Companies Act, 2013 and the rules made there under;
2. The Securities Contracts (Regulation) Act, 1956('SCRA') and the rules made there under;
3. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings to the extent applicable to the company **- As reported to us, there were no FDI, ODI or ECB transaction in the company during the year under review.**

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

a. Secretarial Standards with respect to Board and general meetings issued by The Institute of Company Secretaries of India.

During the year under review, the company has complied with the provisions of the Act, Rules and Regulations except the following:

- **The Company has not appointed Chief Financial Officer, in accordance with the provisions of Section 203 of the Companies Act, 2013.**
- **The Company has not constituted Nomination and Remuneration Committee as on 31st March 2018.**
- **The Company did not have Women Director on the Board as on 31st March, 2018 in terms of Section 149(1) of the Companies Act, 2013**
- **The Company has not determined by actuarial valuation liability for Provident Fund as per the requirements of IND- AS- 19 "Employee Benefits".**

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

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

I further report that:

a. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive 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.

b. Adequate notice was given to all the directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

d. I further report that as represented by the Company and relied upon by me there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

S.VISWANATHAN
Company Secretary
C.P.NO. 5284
ACS NO: 5284

Place: Bengaluru
Date : 28th May 2018

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

"Annexure - A"

To
The Members
M/s. HMT Machine Tools Limited
(CIN: U02922KA1999GOI025572)
No.: 59, Bellary Road,
Bangalore - 560 032

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

1. Maintenance of secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.

2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records.

   The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.

3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.

4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. My examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

S.VISWANATHAN
Company Secretary
C.P.NO. 5284
ACS NO: 5284

Place: Bengaluru
Date : 28th May 2018

ADDENDUM TO SECRETARIAL REPORT FOR THE YEAR 2017-18 IN RESPECT OF OBSERVATIONS MADE BY SECRETARIAL AUDITOR ON THE SECRETARIAL AUDIT OF HMT MACHINE TOOLS LIMITED FOR THE YEAR ENDED 31ST MARCH 2018.

Ref.	Secretarial Auditors' Observations	Company's Reply
1.	**The Company has not appointed Chief Financial Officer, in accordance with the provisions of Section 203 of the Companies Act, 2013.**	Head of Finance at Directorate is holding the responsibility of CFO of the Company. The appointment of CFO in accordance with the provisions of section 203 of the companies Act, 2013 will be taken up suitably.
2.	**The Company has not constituted Nomination & Remuneration Committee as on 31st March, 2018.**	Ministry of Corporate Affairs vide notification dated 05th June 2015, exempted Government Companies from the applicability of Sub-section(2),(3) and (4) of section 178 of the Companies Act, 2013 except with the regard to the appointment of "senior management" and other employees. For constitution of Nomination and Remuneration Committee, at least fifty percent of the directors shall be independent directors. With the existing one Independent director, constitution of said committee shall not fulfill the criteria. Hence, the committee shall be constituted immediately after appointment of requisite number of independent director on the Board of the Company.
3.	**The Company did not have Women Director on the Board as on 31st March, 2018 in terms of Section 149(1) of the Companies Act, 2013**	As observed by the Audit, HMT Machine Tools Limited is wholly owned subsidiary of HMT Limited, a Government Company under the administrative control of Ministry of Heavy Industries & Public Enterprises, the nomination and appointment of all categories of Directors are done by the Government of India in accordance with the laid down Department of Heavy Industry Guidelines. The subject matter of nomination / appointment of adequate number of Independent directors including woman 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.
4.	**The Company has not determined by actuarial valuation liability for Provident Fund as per the requirements of IND- AS- 19 "Employee Benefits".**	The Employees provident fund is provided for, under a defined benefit scheme. The contributions are made to the Trust administered by the Company. Any interest shortfall suffered by the Trust on account of delayed remittance of PF dues has been made good by the company and there is no instance of denial of PF benefits to the employees.

Place: Bangalore
Date: 17th August 2018

(S. Girish Kumar)
Managing Director

CERTIFICATE OF CORPORATE GOVERNANCE

To

The Members of HMT Machine Tools Limited,

We have examined the compliance of conditions of corporate Governance by **HMT Machine Tools Limited** (The Company) for the year ended on **31st March, 2018**, 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 Chief Financial Officer;

b) Constitution of Nomination and Remuneration Committee;

c) Appointment of requisite number of Independent Directors for the Audit Committee and

d) Appointment of Women Director

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

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

Place: Bengaluru
Date : 7th June 2018

V. Ranganatha Murali
Proprietor , M.No. 027051

DECLARATION BY THE MANAGING DIRECTOR

Sub: **Code of Conduct - Declaration under Clause 3.4.2**

This is to certify that:

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

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

All Board members, and the Senior Management Personnel have affirmed compliance of the said Code of Conduct, for the year ended March 31, 2018.

Sd/-
(S. Girish Kumar)
Managing Director

Place: Bengaluru
Date : 17th Aug. 2018

INDEPENDENT AUDITOR'S' REPORT

TO THE MEMBERS OF
HMT MACHINE TOOLS LIMITED
(CIN: U02922KA1999GOI025572)

REPORT ON THE STANDALONE IND AS FINANCIAL STATEMENTS

We have audited the accompanying Standalone financial statements of HMT MACHINE TOOLS LIMITED (herein after "the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including other comprehensive income), the statement of changes in equity and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Incorporated in these standalone financial statements are the standalone financial statements of two units (HMT MBX and HMT Marketing Bangalore) audited by us, five units audited by the other auditors.

MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE IND AS FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation and presentation of these Standalone financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income) of the Company in accordance with the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order issued under Section 143(11) of the Act.

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Branch's preparation of the standalone financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the standalone financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31,2018, and its loss, and net comprehensive loss, the changes in equity and its cash flows for the year ended on that date.

Subject to:

1) As observed by the auditors during the previous year a portion of the land used for "Roads" measuring approx. 4.25 acres has been acquired by Bruhat Bangalore Mahanagara Palike (BBMP). As at 31 March 2018 BBMP has paid adhoc land compensation deposit of Rs.18.508 Crores, pending final joint measurement and issue of correct dimension report. However, the said land measuring 4.25 acres is continued to be shown as fixed assets even though BBMP has taken over the possession of the said Land (Road).

2) Non-compliance with Indian Accounting Standard 1 "Presentation of Financial Statements" by not disclosing the deviation from the fundamental accounting assumption "Accrual "while accounting the "Intangible assets under development" in respect of a Collaboration project with NUM AG, a Swiss Company. The Branch has capitalised only Rs. 7,36,54,749/-, being lump sum payment (part of total consideration) due to the said company as against full consideration of Rs.10,83,69,249/- payable to them as per the agreement., on accrual basis of accounting. Due to said deviation from the accounting policy, "Intangible assets under development" have been under-stated by Rs.3,47,14,500/-, "Other Non-Current Liabilities" are under-stated by Rs.3,47,14,500/-.

Emphasis of Matter:

1) No provision has been made in the 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 31 March 2018, HMT MBX, Marketing and Pinjore units. The amount of interest / penalty / damages has not been quantified and we are unable to express an opinion on the impact of this non- provision.

2) The balances of Trade Payables, Borrowings, Receivables, Margin Deposits, Loans and advances are subject to confirmation from parties. In the absence of confirmation of Trade Receivables, Trade payables, Advances Received, Advances and Deposits paid, the process of reconciliation is incomplete. As such we are not in a position to authenticate the correctness of the balance as at 31 March 2018 in the above- mentioned accounts. In view of the above we are unable to quantify the effect on the financial statements/ results of the Company.

3) No provision is made for the liability if any towards the interest payable to vendors under Micro, Small and Medium Enterprises Development Act 2006. The impact on non-provision of such interest on the financial statements/ results cannot be quantified due to lack of the required information.

4) The Company continues to disclose overdue debtors, loans and advances, deposits (including security deposits) as assets as at 31 March 2018 though they are overdue for more than five years and are doubtful of recovery. (MBX and Marketing)

5) The Company continues to disclose amounts outstanding to vendors / others as accrued liabilities though such outstanding are for more than five years and no claim has been made by the respective vendors / others. (MBX and Marketing)

6) As per the statutory requirement Cash flow statement for the year has not been prepared by the unit, however consolidated cash flow statement is prepared at Head office.

Bangalore Complex Unit:

1) The Company has executed a Technical Collaboration Agreement with NUM AG, Switzerland, for developing numerical control system for machine tools during 2014. The company has paid Initial instalment of Euro 400000(Rs.3,04,08,889). Four Instalments amounting Euro 571429 (Rs. 4,32,45,860) is due as at 31st March, 2018 for which provision has been made in the book of account. Though provision has been made in line

with the technology agreement, it appears that NUM AG, has not provided cost effectively transfer of technology in entirety including staff training, resulting in lack of competitive and cost-effective technology solution to develop, manufacture the product in house for sales.

In view of the same we are unable to express an opinion on the provision made and the expenditure being accounted as Capital work-in-Progress without justification on the value addition on the transfer of technology.

2) The Unit had placed an order during August 2010 with CMC Limited for supply of Hardware and implementation of SAP system across all units of HMT machine Tools Limited. The Scope of work envisaged included but not limited to supply, installation, commissioning of the required hardware, SAP Licences, software customisation, training etc across all units of HMT Machine Tools Limited with HMT MBX issuing the purchase order.

The order has been partly executed and as informed to us there has been negligible progress on the implementation of SAP system since the last few years. Due to the inordinate delay in implementation, the SAP System has become redundant due to the frequent improvements in technology in both hardware as well as software.

The amount incurred upto 31 March 2018 towards hardware Rs.128.89 lakhs which is disclosed in the balance sheet as capital work-in- progress and towards software is Rs. 229.35 lakhs which is disclosed in the balance sheet as Intangible assets under development, together totalling to Rs. 358.24 lakhs.

Since the SAP system is not fully customised nor put to use, due to the delay in implementation, we are unable to express an opinion on the correctness of disclosure of the expenditure under Capital work-in-progress and Intangible assets under development. Further, it appears that management has not initiated any steps either to completely develop and implement the SAP ERP system nor for the closure of contract with the vendor. Hence, we are unable to express our opinion on the liability, if any on the closure of the contract.

Marketing Unit:

1) With-holding taxes and recoveries includes Rs.17,57,375 being earlier years unclaimed Cenvat Credit as on 31st Mar 2018. As the due date for claiming GST – TRANS1 has expired, input tax credit cannot be claimed now resulting in the current assets being over stated to the extent of Rs.17,57,375.

2) During the year, Interest and penalty of Rs. 1,09,86,107/- for non-payment of provident fund contribution for the financial year 2013-14, 2014-15, 2015-16, which, was not provided in the earlier years has been charged to Profit & Loss Account.

Ajmer Unit:

1) The Ajmer Unit has defaulted in settlement / payment of gratuity to the employees who have retired / separated, to the extent of Rs. 772.04 lakhs as at 31 March 2018. No provision has been made in respect of the penalty payable / settlement of gratuity. The impact of such charges on the financial statements / results of the Company has not been ascertained.

Praga Tools:

1) The land allocated in 1963 in the name of erstwhile Praga Tools Limited (Presently merged in HMT Machine Tools Limited) is not transferred neither in favour of HMT MTL nor HMT Limited as on 31st March 2018.

Hyderabad Unit:

1) Discrepancies were noted in certain items of inventory on physical verification with the books of accounts as on 28.05.2018 since some of the bin cards were not updated, we are unable to comment on the existence of such Inventories and its valuation as on 31.03.2018.

Pinjore Unit:

1) As observed by the Unit's auditor in the previous year, the Unit has not written off the material in transit

of Rs.76.57 lakhs which was lying in the customs warehouse since 1998-99 to 2001-02. It was informed that during May 2018, the Board has taken decision to write-off the cost of materials lying in customs bonded warehouse.

Kalamasary Unit:

1) Tangible assets shown under fixed assets includes leased out land measuring 1 acre 58 cents to the Kerala State Electricity Board and 25 cents to the Postal authorities (HMT Colony Post Office) in Kalamassery, Ernakulam, Kerala. Lease agreement if any, has not been made available to Unit Auditors for verification and correctness of the lease rental accounted could not be verified.

Our opinion is not modified in respect of these matters.

OTHER MATTER

We have audited the HMT Bangalore (MBX) and Marketing (MTMD) units for the year and did not audit the financial statements of other 5 (Five) units included in the standalone financial statements / information of the Company. The 5 (Five) units not audited by us, reflect total assets (net) of Rs.24,569.70 lakhs as at March 31, 2018 and total revenues of Rs.14,809.56 lakhs for the year ended on that date. These financial statements have been audited by other (Unit) auditors whose reports have been furnished to us by the Management and our opinion in so far as it relates to the amounts and disclosures included in respect of these units, and our report solely based on the reports of the (Unit) other auditors. Our opinion is not modified in respect of this matter.

Our opinion on the consolidated standalone financial statements of the Company and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS.

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the **Annexure-A** a statement on the matters Specified in paragraphs 3 and 4 of the Order, to the extent applicable.

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

   i. 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.

   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us.

   iii. The reports on the account of the branch offices of the Company audited under section 143(8) of the Act by branch auditors have been sent to us and have been properly dealt with by us in preparing this report.

   iv. The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, Statement of Changes in equity and Cash Flow Statement dealt with by this report are in agreement with the Books of account and returns received from the Unit not visited by us.

   v. In our opinion, the aforesaid standalone financial statements dealt with by this report comply with the Indian Accounting Standards specified under section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015 with the exception of :

      a) Non-compliance with Indian Accounting Standard 1 "Presentation of Financial Statements" by not disclosing the deviation from the fundamental accounting assumption "Accrual "while accounting the "Intangible assets under development" in respect of a Collaboration project with NUM AG, a Swiss Company. The Branch has capitalised only

Rs. 7,36,54,749/-, being lump sum payment (part of total consideration) due to the said company as against full consideration of Rs.10,83,69,249/- payable to them as per the agreement., on accrual basis of accounting. Due to said deviation from the accounting policy, "Intangible assets under development" have been under-stated by Rs.3,47,14,500/-, "Other Non-Current Liabilities" are under-stated by Rs.3,47,14,500/-.

vi. Being a Government Company, Provision of Section 164 (2) of the Act is not applicable vide notification no. 463 (E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, Government of India.

vii. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in **Annexure-B**.

viii. In our opinion and to the best of our information and according to the explanations given to us, we report as under with respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014.

a) The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements.

b) the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses if any on long term contracts;

c) There were no amounts which required to be transferred by the Company to the Investor Education and Protection Fund.

ix. As required by section 143(5) of the Act, we have considered the directions issued by the Comptroller and Auditor General of India, the action taken thereon and its impact on the accounts and financial statements of the Company in **Annexure - C.**

For **V.R. Murali & Co**
Chartered Accountants

V. Ranganatha Murali, Proprietor
Membership Number 027051
Firm Registration Number 002178S

Place: Bengaluru
Date : 7th June 2018

"ANNEXURE-A TO THE INDEPENDENT AUDITOR'S REPORT:

REFERENCE TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE TO THE STATUTORY AUDITORS OF HMT MACHINE TOOLS LIMITED ON THE ACCOUNTS OF THE COMPANY FOR THE YEAR ENDED 31ST MARCH. 2018"

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

1) a) In our opinion, the Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.

b) As explained to us, the management has a policy of physically verifying the fixed assets once in three years and was last conducted during 2017-18 in respect of Bangalore Complex Unit and during 2016-17 in respect of other Units and no material discrepancies were noticed during the said verification, with the exception of Pinjore, wherein the discrepancy was not material and same has been properly dealt with in the books of accounts.

c) Title Deeds of the immovable properties of the various units of the Company is in the name of Holding Company, M/s HMT Limited except for Praga Tools Unit and Ajmer Unit.

The Land allocated in 1963 in the name of erstwhile Praga Tools Limited (presently merged in HMT Machine Tools Limited) is not transferred in favour of HMT Machine Tools Ltd. / HMT Limited.

In the case of Ajmer Unit, pending finalization of rates by the Government of Rajasthan, lease deed for the immovable property in favor of the Company is yet to be executed.

2) a) In our opinion and according to the information and explanation given to us, the inventory has been physically verified by the management during the year.

b) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material, where such physical verification is carried out.

3) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability partnerships or other parties listed in the register maintained under Section 189 of the Companies Act, 2013.Therefore, clauses iii(a),iii(b),iii(c) of the Order are not applicable to the Company.

4) According to the information and explanations given to us, the Company has not entered any transactions attracting the provisions of section 185 of the Companies Act, 2013 and further has complied with the provisions of section 186 of the Act in respect of loans, investments, guarantees, and security to the extent applicable.

5) In our opinion and according to the explanations given to us, the Company has not accepted any deposits from the public. Hence Provision of section 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed there under are not applicable.

6) According to the information and explanations given to us and considering the unit Auditors' Reports, We are of the opinion that the Company has maintained books of account in respect of materials, labour, and other items of cost pursuant to the rules made by the Central Government of India for the maintenance of cost records under section 148(1) of the Companies Act, 2013.We have, however, not made a detailed examination of the records with a view to determine whether they are accurate or complete.

7) a) According to our examination of records, it has been observed that the **undisputed statutory** dues including excise duty, service tax, SGST, CGST, IGST, provident fund, pension contribution & administration charges, profession tax, gratuity, property tax have not been regularly deposited by the Company with the appropriate

authorities within the due date. According to the information and explanation given to us, the following are the arrears of statutory dues outstanding for a period of more than six months from the date they became payable, as at the end of the financial year:

Nature of dues	More than six months (Amount in Rs.lakhs)
Provident Fund, VPF and SPF	6,771.62
Pension Contribution	515.56
Profession Tax	9.21
Gratuity Settlement	3,578.77
Property Tax	358.17
Excise Duty	38.03
Service Tax	18.19
SGST/CGST/IGST	65.22

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

Nature of the Authority	Nature of Dues	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where dispute is pending	unit
Central Excise Act,1944	Excise Duty	324.22	various years from 2007-08 to 2012-13	CESTAT / Jt.Comm CE (Appeals) Bangalore	Bangalore Complex Division
Central Excise Act,1944	Excise Duty	199.40	Not Furnished	CESTAT, Hyderabad	Hyderabad Division
Central Excise Act,1944	Service Tax	5.01	Not Furnished	CESTAT, Ajmer	Ajmer Division
Employees PF	Interest & Damages	1417.02	various years from 1997-98 to 2001-02	Hon'ble High Court of Karnataka	Bangalore Complex Division
Employees PF	Interest & Damages	514.04	various years from 2013-14 to 2016-17	Employee Provident Fund Appellate Authority	Bangalore Complex Division
BBMP	Property Tax & Interest	4,904.94	various years from 1999-00 to 2015-16	Hon"ble High Court of Karnataka	Bangalore Complex Division
Land Valuation	Stamp Duty & Registration charges	17.55	Not Furnished	Not Furnished	Bangalore Complex Division
ESI Act,1948	ESI Contribution	61.06	various years from 1996-97 to 2002-03	Not Furnished	Praga Division
Gratuity	Gratuity & Interest	61.57	2014-15 and 2015-16	Labour Court	Marketing Division
CST Payable (2015-16)	CST Payable against invoice	90.11		Hon'ble High Court of Kerala	Kalamassary
Property Tax	Property Tax	42.90		District Magistrate Ajmer	Ajmer Unit

8) According to the information and explanation given to us and the records examined by us, the Company has not defaulted in repayment of dues to any banks or financial institutions. However, it has been observed by and informed to us that the Company defaulted payment of loan of Rs. 24,518.00 lakhs along with Interest of Rs.14,588.53 lakhs (accrued and due) to the Government of India as on 31.03.2018.

9) According to the information and explanations given to us, the Company has not availed any term loan during the year from Banks & Financial Institutions but has availed Term Loan from the Government of India and has applied the same for the purpose for which it was availed.

10) During the course of our audit carried out in accordance with the generally accepted auditing practices in India as applicable to the Company and according to the information and explanation given to us, we have neither noticed any instance of fraud on or by the Company or reported during the year, nor have been informed of such cases by the Management with the exception of an incident related to Bangalore MBX Unit wherein payment of an amount of Euro 6500 to FT Machines, Germany, as advance for transfer of technology of flow forming machines, as per the proforma invoice sent by them by email but the amount was credited to a different bank account on account of the e mail of FT Machines, Germany having been hacked, and the bank account number changed in the proforma invoice. The same has been confirmed by FT machines Germany. A complaint has been submitted to the Cybercrime authorities who are yet to register the complaint. Subsequently to the event no demand for the payment of euro 6500 has been received from FT Machines Germany upto 31 March 2018.

11) The clause relating to payment of managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V to the Companies Act, 2013 is not applicable to the Company, being a Government Company vide notification no. G.S.R. 463 [E] dated 5th June, 2015.

12) The Company not being a Nidhi Company, clause (xii) of the order is not commented upon.

13) According to the information and explanations given to us and based on our examination of the records of the Company, all transactions with the related parties like fellow subsidiaries and parent company are in compliance with section 188 of the Companies Act, 2013, to the extent applicable and no separate disclosure of such transactions are required to be made under Indian Accounting standard-24 "Related Party Disclosures" in respect of Government controlled Companies.

14) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence clause (xiv) of the Order is not commented upon.

15) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with them during the year and hence clause (xiv) of the Order is not commented upon.

16) The Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 in view of the nature of business carried on.

For **V.R. Murali & Co**
Chartered Accountants

V. Ranganatha Murali, Proprietor
Membership Number 027051
Firm Registration Number 002178S

Place: Bengaluru
Date : 7th June 2018

ANNEXURE-B TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF HMT MACHINE TOOLS LIMITED (HEREINAFTER "THE COMPANY")

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

We have audited the internal financial controls over financial reporting of **HMT MACHINE TOOLS LIMITED** as of March 31, 2018 in conjunction with other (Unit) Auditors' report on financial statements of the Unit for the year ended on that date and our opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting in the case of the Standalone financial statements of the Company, in so far, as it relates to other divisions/units will be based solely on the reports of the Auditors of such divisions/units as of that date.

Management's Responsibility for Internal Financial Controls

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

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

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

We believe that the audit evidence we have obtained, and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Over Financial Reporting

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

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018 and it can further be strengthened based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **V.R. Murali & Co**
Chartered Accountants

V. Ranganatha Murali, Proprietor
Membership Number 027051
Firm Registration Number 002178S

Place: Bengaluru
Date : 7th June 2018

ANNEXURE - C TO THE INDEPENDENT AUDITOR'S REPORT

DIRECTIONS INDICATING THE AREAS TO BE EXAMINED BY THE STATUTORY AUDITOR DURING THE COURSE OF AUDIT OF ANNUAL ACCOUNTS OF HMT MACHINE TOOLS LIMITED FOR THE YEAR 2017-2018 ISSUED BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(5) OF THE COMPANIES ACT, 2013 (HEREINAFTER "THE ACT)

1. <u>Area Examined</u>

Whether the Company has clear title/lease deeds for freehold and leasehold land respectively?

If not, please state the area of freehold and leasehold land for which title / lease deeds are not available.

Observations/Findings

As verified by us and to the best of our information and explanation given to us, title deeds of the immovable properties of the Company have been held in the name of the Holding Company, M/s HMT Ltd., and;

In the case of Ajmer Unit, pending finalisation of rates by the Government of Rajasthan, lease deed for the immovable property in favour of the Company is yet to be executed.

2. <u>Area Examined</u>

Whether there are any cases of waiver/write off of debts/ loans/ interest etc. If yes, the reasons thereof and amount involved.

Observations/Findings

To the best of our information and explanation given to us, there are no cases of waiver / write off of debts/loans/interest, etc. during the year.

3. <u>Area Examined</u>

Whether proper records are maintained for inventories lying with third parties and assets received as gift/ grant(s) from the Govt. or other authorities.

Observations/Findings

a) Attention is drawn to "Emphasis of Matter" section of our audit report - Pinjore Unit, where in material in-transit of Rs.76.57 lakhs which was lying in the customs warehouse since 1998-99 to 2001-02. It was informed that during May 2018, the Board has taken decision to write-off the cost of materials lying in customs bonded warehouse.

b) To the best of our information and explanation given to us, proper records are maintained for inventories lying with third parties and assets, being immovable properties received as gifts/grants from the government or other authorities have been held in the name of the Holding Company M/s HMT Limited and;

c) To the best of our information and explanation given to us, during the year 2017-18 the company has not received any assets as gift/ grant(s) from the Govt. or other authorities.

d) In the case of Ajmer Unit, pending finalisation of rates by the Government of Rajasthan, lease deed for the immovable property in favour of the Company is yet to be executed.

For **V.R. Murali & Co**
Chartered Accountants

V. Ranganatha Murali, Proprietor
Membership Number 027051
Firm Registration Number 002178S

Place: Bengaluru
Date : 7th June 2018

ADDENDUM TO DIRECTORS REPORT FOR THE YEAR 2017-18 IN RESPECT OF OBSERVATIONS MADE BY STATUTORY AUDITORS ON THE ACCOUNTS OF HMT MACHINE TOOLS LIMITED FOR THE YEAR ENDED 31ST MARCH 2018

Statutory Auditor's Observations	Company's Reply
1. As observed by the auditors during the previous year a portion of the land used for "Roads" measuring approx. 4.25 acres has been acquired by Bruhat Bangalore Mahanagara Palike (BBMP). As at 31st March 2018 BBMP has paid adhoc land compensation deposit of Rs.18.508 Crores, pending final joint measurement and issue of correct dimension report. However, the said land measuring 4.25 acres is continued to be shown as fixed assets even though BBMP has taken over the possession of the said Land (Road).	As the joint measurement, Correct dimension report and legal procedures are pending as on 31st March 2018 the same has been shown under Fixed Assets. The appropriate financial impact on sale of Land would be considered based on completion of the above.
2. Non-compliance with Indian Accounting Standard 1 "Presentation of Financial Statements" by not disclosing the deviation from the fundamental accounting assumption "Accrual "while accounting the "Intangible assets under development" in respect of a Collaboration project with NUM AG, a Swiss Company. The Branch has capitalised only Rs. 7,36,54,749/-, being lump sum payment (part of total consideration) due to the said company as against full consideration of Rs.10,83,69,249/- payable to them as per the agreement on accrual basis of accounting. Due to said deviation from the accounting policy, "Intangible assets under development" have been under-stated by Rs.3,47,14,500/-, "Other Non-Current Liabilities" are under-stated by Rs.3,47,14,500/-.	Since the project is yet to complete as per agreement, we have booked liability to the extent of invoices received from NUM AG. Hence even though the total project cost is Rs. 10,83,69,249/- the liability booked is only to the extent of invoices received from NUM AG as per the terms and conditions. However, we are disclosing the same under "Notes to Accounts – as a Commitments".

Place: Bengaluru
Date: 02nd July 2018

(S.Girish Kumar)
Managing Director

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF HMT MACHINE TOOLS LIMITED, BANGALORE FOR THE YEAR ENDED 31 MARCH 2018

The preparation of financial statements of HMT Machine Tools Limited, Bangalore for the year ended 31 March 2018 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 auditor appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act is 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 Audit Report dated 07 June 2018.

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, Bangalore for the year ended on 31 March 2018 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.

On the basis of my supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report under section 143(6)(b) of the Act.

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

(L. Tochhawng)
Director General of Commercial Audit &
Ex-Officio Member, Audit Board,
Hyderabad

Place: Hyderabad
Date: 14 August 2018

Significant accounting policies for the year ended March 31, 2018

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 Ltd 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:

In accordance with the notification issued by the Ministry of Corporate Affairs, the Company has adopted Indian Accounting Standards ('Ind AS') notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from April 1, 2016. The standalone financial statements of the Company are prepared and presented in accordance with Ind AS.

For all periods, up to and including the year ended March 31, 2016, the Company had prepared and presented its financial statements in accordance with the accounting standards notified under the section 133 of the Companies Act 2013 ('the Act'), read together with paragraph 7 of the Companies (Accounts) Rules, 2014 ('Indian GAAP'). The financial statements for the year ended March 31, 2017 are the first the Company has prepared and presented in accordance with Ind AS.

The financial statements have been prepared on the historicalcost 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.

Assets taken on Finance Lease are capitalized at fair value / NPV / contracted price. Depreciation on the same is charged at the rate applicable to similar type of fixed assets as per Accounting Policy on 'Depreciation'. If the lease assets are returnable to the lessor on expiry of lease period, the same is depreciated over its useful life or lease period, whichever is shorter.

Lease payments made are apportioned between finance charges and reduction of outstanding liability in relation to assets taken on lease.

Lease payments made for assets taken on Operating Lease are recognized as expense over the lease period.

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 de-recognised:

(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) Borrowing Cost:

Borrowing cost consists 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.

d) 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.

e) 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.

f) 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.

g) 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.

h) 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.

i) 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.

j) Revenue Recognition:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

Based on Ind AS 18, the Company has assumed that recovery of excise duty flows to the Company on its own account. This is for the reason that it is a liability of the manufacturer which forms part of the cost of production, irrespective of whether the goods are sold or not. Since the recovery of excise duty flows to the Company on its own account, revenue includes excise duty.

The Company collects the applicable taxes 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:*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The Company recognises the Sale of Goods based on:

1) Physical delivery of goods to the customer/ customer's carrier/common carrier, duly supported by invoice, excise duty paid challan, gate pass, delivery voucher and LR / GR, in case of ex-works contracts.

2) In case of FOR destination contracts, "when the significant risk and reward of ownership get transferred to the buyer on physical delivery.

3) Despatches to dealers/customers in respect of Machines & Tractors.

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

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.

k) 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 cashflow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

l) Retirement & Other Employee Benefits:

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

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

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

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

The Company recognizes the net obligation of a defined benefit plan i.e. Gratuity and SA in its balance sheet as an asset or liability. Gains and losses through re-measurements of the net defined benefit liability/ (asset) are recognized in other comprehensive income. In accordance with Ind AS, re-measurement gains and losses on defined benefit plans recognized in Other Comprehensive Income are not to be subsequently reclassified to statement of profit and loss. As required under Ind AS compliant Schedule III, the Company recognizes re-measurement gains and losses on defined benefit plans (net of tax) to retained earnings.

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

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

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

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

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

m) 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.

n) 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.

o) 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.

p) Financial Instruments:

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

i) Cash & cash equivalents:

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of twelve months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

ii) Financial assets at amortised cost:

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

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

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

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

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

v) Financial Liabilities:

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

vi) De-recognition of financial instruments:

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

vii) *Fair value of financial instruments:*

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

Fair value hierarchy:

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

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

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

viii)Investment in subsidiaries, joint ventures and associates:

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

iii) Significant accounting judgements, estimations and assumptions:

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

i) Judgements:

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

a Operating lease– Company as lessor

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

ii) Estimates and assumptions

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

a Deferred Taxes

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

b Defined Benefit Obligations:

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

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

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

c Other Long-Term Employee Benefits

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

d Fair value measurement of financial instruments

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

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BALANCE SHEET AS AT 31ST MARCH 2018

(Rs. in lakhs)

	Notes No.	As at 31-Mar-2018	As at 31-Mar-2017
ASSETS			
Non-current assets			
Property, plant and equipment	3	4,324.34	5,089.00
Capital work in progress	3	128.89	128.89
Investment Property	4	52.68	53.11
Intangible Assets	5	0.00	13.25
Intangible Assets under development	5	965.90	734.47
		5,471.81	**6,018.72**
Current assets			
Inventories	6	10,540.83	11,249.52
Financial assets			
Trade Receivables	7	8,899.30	7,711.33
Cash and cash equivalents	8	3,792.59	4,703.00
Others	9	184.68	234.07
Other Assets	10	4,698.51	4,092.13
		28,115.91	**27,990.05**
Non Current Assets Held for Sale	3	0.02	0.54
		0.02	**0.54**
TOTAL ASSETS		**33,587.74**	**34,009.32**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	11	27,659.91	27,659.91
Other equity	12	(1,50,695.27)	(1,38,153.08)
Total equity		**-1,23,035.35**	**-1,10,493.16**
Non-current liabilities			
Financial liabilities			
Borrowings	13	5,288.40	10,334.80
Preference Shares	14	0.00	0.00
Provisions			
Provision for Employee Benefits	16	6,536.17	7,231.46
		11,824.57	**17,566.26**

BALANCE SHEET AS AT 31ST MARCH 2018

(Rs. in lakhs)

	Notes No.	As at 31-Mar-2018	As at 31-Mar-2017
Current liabilities			
Financial liabilities			
Borrowings	13	3,264.58	3,284.05
Trade payables	17	5,853.05	5,496.31
Other financial liabilities	18	90,366.87	79,931.35
Government Grant	15	0.00	22.92
Other Liabilities	19	39,219.48	31,960.98
Provisions			
Provision for Employee Benefits	16	5,903.46	6,057.73
Others	20	191.08	182.88
		1,44,798.52	**1,26,936.22**
Total liabilities		**1,56,623.09**	**1,44,502.48**
TOTAL EQUITY AND LIABILITIES		**33,587.74**	**34,009.32**

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

For and on behalf of the Board

S. Girish Kumar
Chairman
DIN 03385073

A.K. Sharma
Manager Accounts

Om Prakash Singh
Company Secretary

As per our Report of Even date
For M/s V R Murali & Co
Chartered Accountants
FRN : 002178S

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

Place : Bengaluru
Date : 7th June 2018

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2018

(Rs. in lakhs)

	Note No.	Year ended 31-Mar-2018	Year ended 31-Mar-2017
CONTINUING OPERATIONS			
Revenue from operations	21	17,708.47	19,752.38
Other income	22	2,825.21	2,860.33
Total Income		**20,533.67**	**22,612.70**
EXPENSES			
Cost of raw materials consumed	23	7,582.67	7,829.15
(Increase)/ decrease in inventories of finished goods, work-in-progress and traded goods	24	(166.00)	1,584.37
Excise duty on goods sold during the year	25	825.49	2,061.81
Excise duty on increase/ (decrease) in inventory	26	425.03	-100.55
Employee benefits expense	27	13,136.51	13,176.38
Finance costs	29	5,874.39	5,395.14
Depreciation and amortization expense	28	969.96	1,009.96
Other expenses	30	4,945.01	4,512.54
Less: Jobs Done for Internal Use	31	134.41	97.04
Total expense		**33,458.66**	**35,371.74**
Profit/(loss)before exceptional items and tax from continuing operations		**(12,924.99)**	**(12,759.04)**
Exceptional items		-	-
Profit/(loss)before and tax from continuing operations		**(12,924.99)**	**(12,759.04)**
(1) Current tax		-	-
(2) Deferred tax		-	-
		0.00	0.00
Profit for the year from continuing operations		**(12,924.99)**	**(12,759.04)**
DISCONTINUED OPERATIONS			
Profit/(loss) before tax for the year from discontinued operations		-	-
Tax Income/ (expense) of discontinued operations		-	-
Profit/(loss) from discontinued operations		**0.00**	**0.00**
Profit/(loss) for the year		**(12,924.99)**	**(12,759.04)**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		**0.00**	**0.00**

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2018

(Rs. in lakhs)

	Note No.	Year ended 31-Mar-2018	Year ended 31-Mar-2017
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains (losses) on defined benefit plans		382.80	(35.52)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**382.80**	**(35.52)**
		382.80	**(35.52)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(12,542.19)**	**(12,794.56)**
Earnings per share for continuing operations	32		
• Basic, profit from continuing operations attributable to equity holders of the parent		(4.67)	(4.61)
• Diluted, profit from continuing operations attributable to equity holders of the parent		(4.67)	(4.61)
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		(4.67)	(4.61)
• Diluted, profit for the year attributable to equity holders of the parent		(4.67)	(4.61)

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

For and on behalf of the Board

S. Girish Kumar
Chairman
DIN 03385073

A.K. Sharma
Manager Accounts

Om Prakash Singh
Company Secretary

As per our Report of Even date
For M/s V R Murali & Co
Chartered Accountants
FRN : 002178S

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

Place : Bengaluru
Date : 7th June 2018

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

(Rs. in lakhs)

	Year ended 31-Mar-2018	Year ended 31-Mar-2017
Operating activities		
Profit before tax from continuing operations	(12,924.99)	(12,759.04)
Profit before tax	**(12,924.99)**	**(12,759.04)**
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and impairment of property, plant and equipment	956.27	991.85
Amortisation of Intangible Assets	13.25	17.67
Depreciation of investment properties	0.43	0.43
Gain on disposal of property, plant and equipment	(336.28)	(84.93)
Finance income	(201.82)	(174.49)
Finance costs	5,874.39	5,395.14
Working capital adjustments:		
Movements in provisions, gratuity	(458.56)	(1,257.94)
Increase in trade and other receivables and prepayments	(1,744.95)	(545.00)
Decrease in inventories	708.69	522.08
Increase in trade and other payables	7,615.24	8,988.64
Net cash flows from operating activities	**(498.32)**	**1,094.40**
Investing activities		
Proceeds from sale of property, plant and equipment	341.26	86.73
Purchase of property, plant and equipment	(427.51)	(299.68)
Interest received	201.82	174.49
Receipt/(Application) of government grants	(22.92)	22.92
Net cash flows used in investing activities	**92.66**	(15.54)
Financing activities		
Interest Paid	(485.27)	(511.51)
Proceeds/(Repayment) from borrowings	(19.47)	381.52
Net cash flows from/(used in) financing activities	**(504.74)**	**(129.99)**
Net increase in cash and cash equivalents	(910.40)	948.87
Net foreign exchange difference		
Cash and cash equivalents at the beginning of the year	4,703.00	3,754.13
Cash and cash equivalents at year end	**3,792.59**	**4,703.00**

For and on behalf of the Board

As per our Report of Even date
For M/s V R Murali & Co
Chartered Accountants
FRN : 002178S

S. Girish Kumar
Chairman
DIN 03385073

A.K. Sharma
Manager Accounts

Om Prakash Singh
Company Secretary

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

Place : Bengaluru
Date : 7th June 2018

NOTES FORMING PART OF BALANCE SHEET

3. Property, Plant And Equipment

(Rs. in Lakhs)

Cost of Valuation	Land& Land Development	Buildings	Factory Buildings	General Buildings	Plant & Machinery	Furniture Fittings & Office Appliances	Air conditioning & ventilations	Computer & data process	Electrical installations	Measuring Equipmant	Factory Equipmant	Water supply and sanitations	Capital work In progress	Vehicles	Special Tools	Interior Partitions	Road Wall and Fencing	Total
At 31 March 2016	**78.87**	**1,446.72**	**479.84**	**241.34**	**24,397.41**	**584.45**	**505.94**	**1,459.21**	**875.91**	**723.87**	**2,924.07**	**159.55**	**128.89**	**25.08**	**791.88**	**8.63**	**40.74**	**34,872.41**
Additions	-	-			0.69	0.01		0.99			0.01				96.96			**98.66**
Assets Held for Disposal					(27.60)		(9.12)				(5.09)							**(41.80)**
Disposal/Adjustment	-				(918.91)	-	(6.55)				(0.50)							**(925.95)**
At 31 March 2017	**78.87**	**1,446.72**	**479.84**	**241.34**	**23,451.60**	**584.46**	**490.28**	**1,460.21**	**875.91**	**723.87**	**2,918.48**	**159.55**	**128.89**	**25.08**	**888.84**	**8.63**	**40.74**	**34,003.31**
Additions						12.38	1.70	31.16			4.28				146.56			**196.08**
Assets Held for Disposal					(366.75)	(60.35)				(15.95)	(14.16)							**(457.20)**
Disposal/Adjustment					(1,572.53)	(10.29)	(4.50)	(213.28)			(10.76)			(0.77)				**(1,812.13)**
At 31 March 2018	**78.87**	**1,446.72**	**479.84**	**241.34**	**21,512.32**	**526.20**	**487.48**	**1,278.08**	**875.91**	**707.92**	**2,897.85**	**159.55**	**128.89**	**24.31**	**1,035.40**	**8.63**	**40.74**	**31,930.06**
Depreciation and Impairment																		
At 31 March 2016	**-**	**1,315.39**	**418.11**	**196.81**	**19,803.55**	**555.78**	**455.65**	**1,443.80**	**828.79**	**554.19**	**2,439.16**	**159.55**	**-**	**25.04**	**513.80**	**8.63**	**40.74**	**28,758.99**
Depreciation charge for the year	-	8.20	5.14	7.80	602.19	6.70	9.98	8.97	13.32	52.21	137.86	-		0.02	139.39			**991.77**
Adjustments during the year					-	-					-							**-**
Deduction/Adjustment	-		-		(917.11)		(6.55)				(0.50)							**(924.16)**
Assets Held for Disposal	-		-		(26.98)		(9.12)				(5.09)							**(41.18)**
At 31 March 2017	**-**	**1,323.58**	**423.25**	**204.61**	**19,461.66**	**562.48**	**449.97**	**1,452.77**	**842.11**	**606.40**	**2,571.43**	**159.55**	**-**	**25.06**	**653.19**	**8.63**	**40.74**	**28,785.42**
Depreciation charge for the year		7.82	4.87	7.80	581.80	6.55	9.82	4.09	13.32	51.47	137.39			0.02	131.39			**956.33**
Adjustments during the year																		**-**
Deduction/Adjustment					(1,567.63)	(10.28)	(4.50)	(213.27)	(2.34)		(8.42)			(0.77)				**(1,807.21)**
Assets Held for Disposal					(367.29)	(60.34)				(15.94)	(14.16)			(0.00)				**(457.73)**
At 31 March 2018	**-**	**1,331.40**	**428.11**	**212.41**	**18,108.55**	**498.40**	**455.29**	**1,243.59**	**853.10**	**641.93**	**2,686.24**	**159.55**	**-**	**24.30**	**784.58**	**8.63**	**40.74**	**27,476.82**
Net book value																		
At 31 March 2018	**78.87**	**115.31**	**51.73**	**28.94**	**3,403.78**	**27.79**	**32.19**	**34.50**	**22.81**	**66.00**	**211.61**	**0.00**	**128.89**	**0.00**	**250.82**	**0.00**	**0.00**	**4,453.24**
At 31 March 2017	**78.87**	**123.13**	**56.60**	**36.73**	**3,989.94**	**21.98**	**40.31**	**7.43**	**33.80**	**117.47**	**347.05**	**0.00**	**128.89**	**0.02**	**235.65**	**0.00**	**0.00**	**5,217.89**

	31 Mar.18	31 Mar.17
Net book value	**INR Lakhs**	**INR Lakhs**
Plant Property and Equipment	4324.34	5089.00
Capital work in progress	128.89	128089.00
Non Current Assets Held for Sale	0.02	0.54

Non Current Assets Held for Sale

(Rs. in lakhs)

NOTES FORMING PART OF BALANCE SHEET		
PARTICULARS	**TOTAL**	
	31-Mar-18	**31-Mar-17**
PLANT AND MACHINERY	0.02	0.54
FACTORY EQUIPMENTS	0.00	0.00
	0.02	**0.54**

NOTES FORMING PART OF BALANCE SHEET

HMT Machine Tools Ltd.

1 Fixed Assets have been transferred from the Holding Company to the Subsidiary at Gross value of Rs. 202.10 Cr. Reserve for depreciation of Rs. 151.46 Cr. and net value of Rs. 50.64 Cr., as on 01.04.2000 in line with para 10 (j) and Annexure 12 of the Scheme of Arrangement approved by the Department of Company Affairs.

2 Fixed Assets include immovable properties, vested under the Scheme of Arrangement approved by the Govt. of India. However, the mutation of title deeds is yet to be done in the revenue records to that effect. Fresh Lease Deed in respect of Lease Hold Lands are pending to be executed.

3 Pursuant to the enactment of Companies Act 2013, the Company has applied the estimated useful lives as specified in Schedule II. Accordingly the unamortised carrying value is being depreciated/amortised over the revised/remaining useful lives. The written down value of Fixed Assets whose lives have expired as at 1st April 2014 have been adjusted net of tax, in the opening balance of Statement of Profit and Loss amounting to Rs. 321.73 lakhs during FY. 2014-15.

4 In respect of Praga Tools Division, Hyderabad Plant & Machinery includes 7 items of Fixed Assets identified as surplus and for disposal, the net block of which is Rs. 16,34,329/-.

5 **LAND**

5.1 Pending finalisation of the rates by the Government of Rajasthan, provision for conversion charges, if any, payable for conversion of Revenue land for Industrial use at Machine Tool Unit Ajmer, has not been made in the accounts as the matter is sub-judice and execution of lease deed is pending.

5.2 The Company has leased out land admeasuring 2.71 acres to the Kerala Electricity Board and Postal Authorities in Kalamassery. Further, the Company has leased out land admeasuring 5.00 Ha, and 2.50 Ha to M/s Kochi Metro Rail Ltd., for which the lease period has been extended up to 31.07.2017 and 31.12.2018 respectively. Further an additional land of 1.6131 Ha. has been leased out up to 31.12.2018 for stackyard and fabrication purpose.

5.3 The Company is in possession of Gift land located at Bangalore, Kalamassery & Hyderabad gifted by the respective State Governments measuring 177.75 Acres, 348.85 Acres and 227.30 Acres respectively, nominally valued at Rs. 1 each.

5.4 Praga Tools Division is in possession of 195 acres and 33 guntas land handed over by the Govt. of Andhra Pradesh. The company has filed Writ Petition No. 20012 of 2003 on the file of Hon'ble High Court of A.P. against the Govt. of A.P. and others wherein the Company has sought directions for demarking 195.33 acres of land for handing over the same to the company. As per the survey coducted during the year 2004-05 by the Offcials of Survey and Settlment Department, Ranga Reddy Dist. in view of Suprement Court directives , it has come to the notice that approx. 39 acres of land is not in the actual possession of the Company, but the company has paid for the entire 195.33 acres of land for the decree holders. Out of the above land, 6000 sq. mts. of land is allotted to APSEB for setting up 33KV Switching Station and 33/11 KV Electrical sub-station. The compensation payable by the APSEB has not yet been determined. GHMC issued a notice vide notice No. 41/86/RW/TPS/GHMC/SC/2007 dated 01.12.2007 to take over 238.86sq. Yds of land for road widening programme undertaken by them out of the 3000 sq. yds available at kavadiguda, Secunderabad without any compensation. The Company had protested for this and raised a demand for compensation for land proposed to be taken over by them for road widening programme at prevailing market rate which is pending.

5.5 Praga Tools Division has leased out a land admeasuring 64.62 acres to HMRL(Hyderabad Metro Rail corporation) for a period of 3 years commencing from 1st September, 2012 to 31st August, 2015 for a temporary casting-cum-stacking yard. Further lease period has been extended upto 31st August, 2017.

NOTES FORMING PART OF BALANCE SHEET

(Rs. in lakhs)

4. INVESTMENT PROPERTY	Total
Closing balance at 31 March 2017	56.02
Additions	-
Closing balance at 31 March 2018	**56.02**
Depreciation and Impairment	
Closing balance at 31 March 2017	2.91
Depreciation	0.43
Closing balance at 31 March 2018	**3.34**
Net Block	
at 31 March 2017	53.11
at 31 March 2018	52.68

INFORMATION REGARDING INCOME AND EXPENDITURE OF INVESTMENT PROPERTY

	31-Mar-18	31-Mar-17
	INR Lakhs	INR Lakhs
Rental income derived from investment properties	375.76	654.92
Direct operating expenses (including repairs and maintenance) generating rental income		
Direct operating expenses (including repairs and maintenance) that did not generate rental income		
Profit arising from investment properties before depreciation and indirect expenses	**375.76**	**654.92**
Less – Depreciation	0.43	0.43
Profit arising from investment properties before indirect expenses	**375.33**	**654.49**

5. INTANGIBLE ASSETS	Intangible Assets	Intangible asset under development	Total
	INR	INR	INR
Cost			
At 31 March 2017	88.36	734.47	822.83
Additions		231.43	
At 31 March 2018	88.36	965.90	1,054.26
Amortisation and Impairment			
At 31 March 2017	75.11		75.11
Amortisation	13.25		13.25
At 31 March 2018	88.36		88.36
Net book value			
At 31 March 2018	0.00	965.90	965.90
At 31 March 2017	13.25	734.47	747.72

Net book value	31-03-2018	31-03-2017
	INR	INR
Intangible assets under development	965.90	734.47
Intangible Assets	0.00	13.25

NOTES FORMING PART OF BALANCE SHEET

(Rs. in lakhs)

		As at 31-Mar-2018	As at 31-Mar-2017
6.	**INVENTORIES**		
	Raw Materials and Components	1,502.54	1,490.14
	Material and Components in Transit	180.67	1,034.56
	Work-in-Progress	4,881.84	4,626.11
	Finished Goods	3,910.74	3,956.82
	Goods-in-Transit	410.65	756.06
	Stores and Spares	1,034.39	771.82
	Tools and Instruments	80.19	65.61
	Scrap	23.49	15.95
		12,024.52	**12,717.07**
	Less: Provision for Non-moving Inventories	1,483.69	1,467.55
		10,540.83	**11,249.52**
7.	**TRADE RECEIVABLES**		
	Considered good	8,899.30	7,711.33
	Doubtful	5,515.44	5,295.15
		14,414.74	**13,006.49**
	Impairment Allowance (Allowance for bad and doubtful debts)		
	Unsecured, considered doubtful	5,515.44	5,295.15
		8,899.30	**7,711.33**
	Trade Receivables exceeding 6 months from the date they are due for payment	1,967.26	3,821.21
	Trade Receivables less than 6 months from the date they are due for payment	6,932.04	3,890.13

No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member

		As at 31-Mar-2018	As at 31-Mar-2017
8.	**CASH AND CASH EQUIVALENTS**		
Balances with banks:			
	– On Current accounts	817.16	2,319.41
	– On Deposits accounts between 3-12 months	2,971.74	2,381.45
	Cash and Cheques on hand	3.69	2.13
		3,792.59	**4,703.00**

NOTES FORMING PART OF BALANCE SHEET

(Rs. in lakhs)

		As at 31-Mar-2018	As at 31-Mar-2017
9.	**OTHER FINANCIAL ASSETS**		
	Interest Accrued and Due	65.39	61.01
	With Scheduled Banks in Deposit Account - Margin Money	119.29	173.06
	Total	**184.68**	**234.07**
10.	**OTHER ASSETS**		
	Non-Current		
	Capital Advances	1.97	2.30
	Less: Provision for Doubtful Advances	(1.97)	(2.30)
		-	-
	Current		
	Advances to employees		
	Vehicle Advance	0.54	0.54
	Less: Provision for Doubtful Loans and Advances	(0.54)	(0.54)
	HMT Ltd	551.23	578.73
	HMT Watches Ltd	32.98	23.60
	HMT International Ltd.	93.25	163.39
	HMT Bearings Ltd	39.60	39.60
		717.05	**805.32**
	Advances other than Capital Advances		
	Advances recoverable in cash or in kind	363.20	180.30
	Advance to Suppliers/Employees Including Advance No. III	11.35	17.75
	Considered Good	3,011.32	2,494.39
	Considered Doubtful	580.50	569.64
		3,966.37	**3,262.08**
	Less:Provision for Doubtful Advances	580.50	569.64
		3,385.87	**2,692.44**
	Prepaid Expenses	19.14	16.48
	Withholding of taxes and other tax receivables*	177.59	221.55
	Security Deposits	398.86	356.34
		595.59	**594.37**
	Total Other Assets	**4,698.51**	**4,092.13**

*Withholding taxes primarily consists of input taxes

NOTES FORMING PART OF BALANCE SHEET

(Rs. in lakhs)

Statement of changes in equity as on 31st March 2018

11. Share capital

Authorised share capital

	Equity Shares	
	Number	**Amount**
At 1 April 2017	35,50,00,000	35,500.00
Increase/(decrease) during the year	0	0.00
At 31 March 2018	**35,50,00,000**	**35,500.00**

Issued Capital

	Equity shares of INR 10 each issued and fully paid	
	Number	**Amount**
At 1 April 2017	**27,65,99,137**	**27,659.91**
Increase/(decrease) during the year	**0**	0.00
At 31 March 2018	**27,65,99,137**	**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 2018		As at 31 March 2017	
Name of the Share Holder	**No of Shares**	**% holding**	**No of Shares**	**% holding**
Equity shares of INR *10 each fully paid*				
HMT Limited	27,65,99,137.00	100%	27,65,99,137.00	100%

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2018

12. STATEMENT OF CHANGES IN EQUITY

A. EQUITY SHARE CAPITAL

Equity shares of INR 10 each issued, subscribed and fully paid

	No.	INR Lacs
At 1 April 2017	27,65,99,137	27,660
Changes in equity share capital during the year		
At 31 March 2018	27,65,99,137	27,660

B. Other Equity

Particulars	Other Equity				
	Reserves and Surplus		Other Comprehensive Income		
	Capital Reserve	Retained Earnings	Equity Instruments through other comprehensive income	Other items of Other Comprehensive Income	Total equity attributable to equity holders of the company
	Amount	Amount	Amount	Amount	Amount
Balance as of 1st April 2016	2,270.82	(1,23,446.43)	0	(4,194.47)	(1,25,370.08)
Change in Accounting Policy or Prior Period Error		11.56			11.56
Restated Balance as of 1st April 2016	**2,270.82**	**(1,23,434.87)**	**0**	**(4,194.47)**	**(1,25,358.52)**
Remeasurement of the net defined benefit liability/asset, net of tax effect				(35.52)	(35.52)
Profit for the period		(12,759.04)			(12,759.04)
At 31 March 2017	**2,270.82**	**(1,36,193.91)**	**0**	**(4,229.99)**	**(1,38,153.08)**

Particulars	Other Equity				
	Reserves and Surplus		Other Comprehensive Income		
	Capital Reserve	Retained Earnings	Equity Instruments through other comprehensive income	Other items of Other Comprehensive Income	Total equity attributable to equity holders of the company
	Amount	Amount	Amount	Amount	Amount
Balance as of 1st April 2017	2,270.82	(1,36,193.91)	0	(4,229.99)	(1,38,153.08)
Change in Accounting Policy or Prior Period Error					
Restated Balance as of 1st April 2017	**2,270.82**	**(1,36,193.91)**	**0**	**(4,229.99)**	**(1,38,153.08)**
Remeasurement of the net defined benefit liability/asset, net of tax effect				382.80	(382)
Profit for the period		(12,924.99)			(12,924.27)
At 31 March 2018	**2,270.82**	**(1,49,118.89)**	**0**	**(3,847.20)**	**(1,50,695.27)**

For and on behalf of the Board

S. Girish Kumar
Chairman
DIN 03385073

A.K. Sharma
Manager Accounts

Om Prakash Singh
Company Secretary

As per our Report of Even date
For M/s V R Murali & Co
Chartered Accountants
FRN : 002178S

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

Place : Bengaluru
Date : 7th June 2018

NOTES FORMING PART OF BALANCE SHEET

(Rs. in lakhs)

		As at 31-Mar-2018	As at 31-Mar-2017
13.	**BORROWINGS**		
	Non-current		
	Unsecured		
	Loans from Government of India		
	Term Loan carrying rate of interest @ 13.50% (Statutory Dues) for a period of 5 years	1,933.60	4,259.20
	Term Loan carrying rate of interest @ 13.50% (Working capital) for a period of 5 years	1,526.18	3,000.00
	Term Loan carrying rate of interest @ 7% (Bridge Loan - 1997 pay Scales) for a period of 5 years	1,828.62	3,075.60
	Total Non-current borrowings	**5,288.40**	**10,334.80**
	Current		
	Secured		
	Cash Credit	3,101.04	3,129.27
	Loan from holding company	163.54	154.78
	Net Current borrowings	**3,264.58**	**3,284.05**
	Aggregate Secured loans	3,101.04	3,129.27
	Aggregate Unsecured loans	5,451.94	10,489.58

Cash Credits as referred to above, are repayable on demand and are secured by hypothecation of entire current assets of the Company including inventories and Trade Receivables, by first charge and collateral security by way of equitable mortgage by deposit of title deed of the immovable property of the Company ranking pari passu inter-se the participating banks.

14.	**PREFERENCE SHARE CAPITAL**		
	Preference Share Capital	-	-
	Total	**-**	**-**
15.	**GOVT. GRANTS**		
	Received during the year	-	22.92
		-	**22.92**
16.	**PROVISION FOR EMPLOYEE BENEFITS**		
	Non Current		
	Gratuity	4,689.62	5,114.96
	Earned Leave Encashment	1,581.15	1,755.77
	Settlement Allowance	265.40	360.74
		6,536.17	**7,231.46**

NOTES FORMING PART OF BALANCE SHEET

(Rs. in lakhs)

		As at 31-Mar-2018	As at 31-Mar-2017
	Current		
	Gratuity	2,162.63	2,093.62
	Earned Leave Encashment	667.32	867.53
	Settlement Allowance	121.51	75.01
	Wage and Salary Revision (1992)	2,951.99	3,021.57
		5,903.46	**6,057.73**
	Total	**12,439.63**	**13,289.19**
17.	**Trade payables**		
	Acceptances	70.56	102.85
	Dues towards Goods purchased	5,675.27	5,262.79
	Dues to Micro, Small & Medium Enterprises	107.22	130.68
	Total	**5,853.05**	**5,496.31**
18.	**Other Financial Liabilities**		
	Current maturities of long-term Debts	5,046.40	5,934.92
	4,43,00,000 3.5% Redeemable Preference Shares of Rs.100/- each	44,300.00	44,300.00
	Term Loan for a period of 5 Yrs. (Statutory Dues 2006-07) carrying rate of interest @ 15.50%	5,443.82	4,101.93
	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%	7,149.59	5,277.36
	Term Loan for a period of 5 Yrs. (Working Capital) carrying rate of interest @13.50%)	4,500.00	2,661.41
	Term Loan for a period of 5 Yrs. (Bridge Loan-1997 pay scales) carrying rate of interest @7.00%)	3,028.40	2,146.19
	Interest accrued and due on borrowings		
	Loans from Government of India	14,588.53	9,319.71
	Interest accrued but not due on borrowings		
	Government of India Loan	1,913.94	1,793.64
	Total	**90,366.87**	**79,931.35**

NOTES FORMING PART OF BALANCE SHEET

(Rs. in lakhs)

	As at 31-Mar-2018	As at 31-Mar-2017
19. Other Liabilities		
Current		
Dues to Holding Company and its subsidiaries		
HMT Ltd	1,283.03	1,201.41
HMT Watches Ltd	110.94	103.29
HMT Chinar Watches Ltd	181.85	182.27
HMT (International) Ltd	259.87	907.13
HMT Bearings Ltd	1,463.72	333.70
EMD Deposit Received	10.79	10.79
Revenue received in advance	6,294.23	4,583.70
Sundry Creditors- Dues	3,058.42	2,234.93
Other Liabilities	26,556.63	22,403.76
Total	**39,219.48**	**31,960.98**

20. PROVISIONS & OTHERS	**Warranty Claims**	**Provision for pay / wage revision**	**Total**
At 1 April 2017	**72.93**	**109.95**	**182.88**
Arising during the year	47.49	**0.54**	
Utilised	(35.92)	(0.35)	
Unused amounts reversed	(3.57)	**-**	
At 31 March 2018	**80.94**	**110.14**	**191.08**
Current	80.94	110.14	191.08
At 1 April 2016	**74.11**	**109.88**	**183.99**
Arising during the year	53.79	0.53	
Utilised	(46.15)	(0.46)	
Unused amounts reversed	(8.82)	-	
At 31 March 2017	**72.93**	**109.95**	**182.89**
Current	72.93	109.95	182.89
Non-current			

NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(Rs. in lakhs)

		As at 31-Mar-2018	As at 31-Mar-2017
21.	**Revenue from Operations**		
	Sale of Products		
	Sale of Machine Tools	16,353.30	18,113.18
	Sales of Accessories	416.19	294.43
	Less: Sales returns	-	(1.60)
		16,769.48	**18,406.02**
	Sale of Services		
	Sundry Jobs and Miscellaneous Sales	565.33	1,023.63
	Packing / Forwarding charges	71.27	114.18
	Sale of services	302.38	208.55
		938.99	**1,346.36**
	Revenue from Operations	**17,708.47**	**19,752.38**
22.	**Other income**		
	A. Other Income		
	Recoveries from Staff/Others	144.36	139.95
	Interest Income	4.54	4.70
	Rent Received	831.47	471.82
	Conveyance Recovered	0.04	0.07
	Water Charges Recovered	0.35	0.34
	Electricity Charges Recovered	8.40	8.15
	Miscellaneous Income	744.14	1,181.66
	Gains on Sale of Property, Plant and Equipment	336.28	84.93
	Provisions Withdrawn	443.48	730.43
	Govt.Grant	22.92	-
	Sale of scrap	64.00	33.52
	Training expenses recovered	17.89	25.90
	Creditors Wrtitten off	5.52	4.36
	Total (A)	**2,623.39**	**2,685.84**
	B. Interest Income		
	Interest income on Bank Deposits	191.56	160.05
	Interest from Dealers/Others	10.25	14.44
	Total (B)	**201.82**	**174.49**
	Total Other Income (A+B)	**2,825.21**	**2,860.33**

NOTES FORMING PART OF BALANCE SHEET

(Rs. in lakhs)

		As at 31-Mar-2018	As at 31-Mar-2017
23	**Cost of Raw Materials Consumed**		
	Raw materials and Components		
	Inventory at the beginning of the year	1,490.14	1,270.69
	Add: Purchases	4,716.87	4,368.82
		6,207.01	**5,639.50**
	Add/(Less): Inter Factory Transfer	135.36	61.13
	Less: Inventory at the end of the year	1,502.54	1,490.14
	Cost of Raw material and Components consumed	**4,569.10**	**4,088.23**
	Consumption of Stores, Spares, Tools & Packing Materials	3,013.57	3,740.91
	Total Raw materials and Components consumed	**7,582.67**	**7,829.15**
24.	**Changes in Inventory**		
	Finished Goods		
	Inventory at the beginning of the year	3,516.85	2,539.55
	Less: inventory at the end of the year	3,895.80	3,516.85
	Changes in Inventory	(378.94)	(977.30)
	Work in Progress		
	Inventory at the beginning of the year	4,626.11	6,889.93
	Less: Inventory at the end of the year	4,881.84	4,626.11
	Changes in Inventory	(255.73)	2,263.81
	Goods In Transit		
	Inventory at the beginning of the year	756.06	1,036.55
	Less: Inventory at the end of the year	279.84	756.06
	Changes in Inventory	476.22	280.49
	Scrap		
	Inventory at the beginning of the year	15.95	33.31
	Less: Inventory at the end of the year	23.49	15.95
	Changes in Inventory	(7.54)	17.36
	Total	**(166.00)**	**1,584.37**

NOTES FORMING PART OF BALANCE SHEET

(Rs. in lakhs)

		As at 31-Mar-2018	As at 31-Mar-2017
25.	**Excise Duty on Sale of Finished Goods**		
	Excise duty on sale of goods	825.49	2,061.81
		825.49	**2,061.81**
26.	**Changes in Excise Duty on Finished Goods**		
	Excise Duty on Opening Inventory	439.97	339.42
	Excise Duty on Closing Inventory	14.94	439.97
		425.03	**(100.55)**
27.	**Employee benefits expenses**		
	Salaries,Wages and Bonus	7,920.83	9,428.81
	House Rent Allowance	415.20	363.28
	Gratuity	2,182.82	599.26
	Contribution to PF & FPS	799.63	816.13
	Deposit Linked Insurance	50.56	96.27
	Contribution to ESI	23.56	12.03
	Welfare Expenses	1,743.92	1,860.60
		13,136.51	**13,176.38**
28.	**Depreciation and Amortization**		
	Depreciation of Property, Plant and Equipment	956.27	991.85
	Amortization of Intangible assets	13.25	17.67
	Depreciation on Investment Properties	0.43	0.43
		969.96	**1,009.96**
29.	**Finance costs**		
	Government of India Loans	5,389.12	4,883.63
	Cash Credit loans from Banks	460.78	486.84
	Inter Corporate Loan	8.76	8.76
	Interest on Bonds	15.72	15.91
	Total Finance costs	**5,874.39**	**5,395.14**
30.	**Other expenses**		
	Manufacturing Expenses		
	Power and Fuel	1,012.01	945.12
	Excise Duty	(136.07)	454.64
	Guest House Expenses	0.55	0.42
	Provision for Non Moving Inventories	87.91	116.33

NOTES FORMING PART OF BALANCE SHEET

(Rs. in lakhs)

	As at 31-Mar-2018	As at 31-Mar-2017
Advertisement and Publicity	8.44	25.48
Carriage outwards	-	(0.65)
Rent	27.98	37.92
Rates and Taxes	155.04	146.41
Insurance	23.42	20.58
Service Charges Paid	105.00	72.20
Training Expenses - Skill Development	4.12	31.47
Water and Electricity	169.40	194.46
Repairs to building	45.49	44.55
Repairs to machinery	63.05	54.12
Printing and Stationery	25.41	25.16
Conference , Seminars and Training	2.63	4.72
Auditors Remuneration #	6.16	4.99
Provision for Doubtful Debts,Loans and Advances	481.70	289.22
Warranty claims	51.59	55.19
Travelling Expenses	182.48	167.61
Exchange Difference	49.35	-6.02
Interest On Others	170.48	108.54
Bank Charges	120.08	173.15
Interest on delayed remittance	404.32	317.97
Remb of Exp - Holding Company	49.36	74.91
Other Expenses	1,835.10	1,154.04
	4,945.01	**4,512.54**
For Statutory auditor	4.20	3.04
For taxation matters	0.97	0.85
Cost audit fee and expenses	0.99	1.10
	6.16	**4.99**
31. Jobs Done for Internal Use		
Shop manufactured Special Tools	134.41	97.04
	134.41	**97.04**

NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(Rs. in lakhs)

	31-Mar-2018 INR Lakhs	31-Mar-2017 INR Lakhs
32. Earnings per share (EPS)		
Profit attributable to equity holders:		
Continuing operations	₹ (12,924.99)	₹ (12,759.04)
Discontinued operation		
Profit attributable to equity holders for basic earnings	**₹ (12,924.99)**	**₹ (12,759.04)**
Interest on convertible preference shares		
Profit attributable to equity holders of the parent adjusted for the effect of dilution	**₹ (12,924.99)**	**₹ (12,759.04)**
Weighted average number of Equity shares for basic EPS*	₹ (27,65,99,137)	27,65,99,137
Effect of dilution:		
Convertible preference shares		
Weighted average number of Equity shares adjusted for the effect of dilution *	**₹ 27,65,99,137**	**27,65,99,137**
Earnings per share for continuing operations		
Basic, profit from continuing operations attributable to equity holders of the parent	**₹ (4.67)**	**₹ (4.61)**
Diluted, profit from continuing operations attributable to equity holders of the parent	**₹ (4.67)**	**₹ (4.61)**

* 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-18 %	31-Mar-17 %
Discount rate:		
Gratuity plan	7.53	7.50
Settlement Allowance	7.53	7.50
Earned Leave Encashment	7.53	7.50
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 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017
Mortality Rate (as % of IALM (2006-08) (Mod.) Ult. Mortality Table)	100%	100%	100%	100%	100%	100%
Disability Rate (as % of above mortality rate)	5%	5%	5%	5%	0%	0%
Withdrawal Rate	1% to 3%	1% to 3%	1% to 3%	5%		
Attrition Rate					1% to 3%	5%
Normal Retirement Age	58yrs	58yrs	58yrs	58yrs	58yrs	58yrs
Average Future Service	8.22	8.05	8.22	8.64		
Leave Encashment Rate during employment					1% to 3%	5%
Leave Availment Rate					1%	1%

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.

1 Gratuity

31 March 2018 changes in the defined benefit obligation and fair value of plan assets

		Gratuity Cost charged to profit or loss			Remeasurement gains/(losses) in other comprehensive income							
	01-Apr-17	Service Cost	Net interest expense	Sub-total included in profit / loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31-Mar-18
	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs
Defined benefit obligation	(8,275.16)	(196.04)	(537.86)	(733.90)	1,818.25			10.85	(820.50)	(809.65)		(8,000.45)
Fair Value of plan assets	1,066.58		11.86	11.86	(1,818.25)	69.76				69.76	1,818.25	1,148.20
Benefit Liability	**(7,208.58)**			**(722.04)**	**0.00**					**739.89**	**1,818.25**	**(6,852.25)**

31 March 2017 changes in the defined benefit obligation and fair value of plan assets

		Gratuity Cost charged to profit or loss			Remeasurement gains/(losses) in other comprehensive income							
	01-Apr-16	Service Cost	Net interest expense	Sub-total included in profit / loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31-Mar-17
	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs
Defined benefit obligation	(9,181.64)	(216.15)	(663.61	(879.76)	1,773.02			(121.95)	135.17	13.22		(8,275.16)
Fair Value of plan assets	990.31		74.27	74.27	(1,773.02)	1.98				1.98	1,773.04	1,066.58
Benefit Liability	**8,191.33**			**(805.49)**	**0.00**					**15.20**	**1,773.04**	**(7,208.58)**

B Earned Leave Encashment :

31 March 2018 changes in the defined benefit obligation and fair value of plan assets

		Defined Benefit cost charged to profit or loss			Remeasurement gains/(losses) in other comprehensive income							
	01-Apr-17	Service Cost	Net interest expense	Sub-total included in profit / loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31-Mar-18
	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs
Defined benefit obligation	(2,626.30)	(183.63)	(171.10)	(354.73)	551.41		(5.89)	0.52	183.52	178.15		(2,248.47)
Fair Value of plan assets												0.00
Benefit Liability	**(2,623.30)**			**(354.73)**	**551.41**					**178.15**	**0.00**	**(2,248.47)**

31 March 2017 changes in the defined benefit obligation and fair value of plan assets

		Defined Benefit cost charged to profit or loss			Remeasurement gains/(losses) in other comprehensive income							
	01-Apr-16	Service Cost	Net interest expense	Sub-total included in profit / loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31-Mar-17
	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs
Defined benefit obligation	(2761.61)	(188.60)	(199.58)	(388.18)	533.66			(30.90)	23.73	(7.17)		(2,623.30)
Fair Value of plan assets												0.00
Benefit Liability	**(2761.61)**			**(388.18)**	**533.66**					**(7.17)**	**0.00**	**(2,623.30)**

C Settlement Allowance :

31 March 2018 changes in the defined benefit obligation and fair value of plan assets

		Defined Benefit cost charged to profit or loss			Remeasurement gains/(losses) in other comprehensive income							
	01-Apr-17	Service Cost	Net interest expense	Sub-total included in profit / loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31-Mar-18
	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs
Defined benefit obligation	(435.75)		(28.87)	(29.87)	103.19		(0.48)	0.05	(24.05)	(24.48)		(386.91)
Fair Value of plan assets												0.00
Benefit Liability	**(435.75)**			**(29.87)**	**103.19**					**(24.48)**		**(386.91)**

31 March 2017 changes in the defined benefit obligation and fair value of plan assets

		Defined Benefit cost charged to profit or loss			Remeasurement gains/(losses) in other comprehensive income							
	01-Apr-16	Service Cost	Net interest expense	Sub-total included in profit / loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31-Mar-17
	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs
Defined benefit obligation	(471.93)	(32.96)	(32.96)	119.87				(8.36)	(42.36)	(50.72)		(435.75)
Fair Value of plan assets												0.00
Benefit Liability	**(471.93)**		**(32.96)**	**119.87**						**(50.72)**	**0.00**	**(435.75)**

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 2018		As at 31 March 2017	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	371.51	341.04	8,535.77	8,036.31
Change in rate of salary increase	283.84	314.87	8,071.87	8,473.87
Change in withdrawal rates	29.02	34.89	8,259.47	8,289.85

ii) Settlement Allowance (Rs. In lakhs)

Particulars	As at 31 March 2018		As at 31 March 2017	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	19.16	17.69	453.84	419.43
Change in rate of salary increase	16.71	18.68	418.51	454.45
Change in withdrawal rates	1.01	0.83	456.02	417.35

iii) Earned Leave Encashment (Rs. In lakhs)

Particulars	As at 31 March 2018		As at 31 March 2017	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	94.09	88.28	2,688.57	2,562.57
Change in rate of salary increase	87.50	90.28	2,625.99	2,788.86
Change in Attrition Rates	3.61	2.08	2,620.02	2,627.74

Segment reporting

(Rs. in lakhs)

	Year ended 31-Mar-18	Year ended 31-Mar-17
Revenue from external customers	**INR Lakhs**	**INR Lakhs**
India	**4,691.00**	3,376.31
Outside India		
Total revenue per consolidated statement of profit or loss	**4,691.00**	3,376.31

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

Revenue from one customer amounted to 4,691.31 Lakhs which is exceeding 10% of the revenue from operations for the year ended 31st March 2018.

Revenue from one customer amounted to 3,376.31 Lakhs which is exceeding 10% of the revenue from operations for the year ended 31st March 2017.

NOTES FORMING PART OF BALANCE SHEET

Contingent Liabilities

(Rs. in lakhs)

1) Claims against the company not acknowledged as debt;

Class of Cases	Nature of Cases	Amount
Central Excise Department	Demands Notice towards reversal of provisions for slow/non-moving Inventory provided for	324.22
PF / EPS / ESI Cases	Demands raised by PF / EPS /ESI Authorities	2,696.72
Stamp Duty/ Registration Charges	Order towards Stamp duty and Registration Charges on differential value of land - Appeal Filed	17.55
A.P. Central Power Distribution Corporation Limited & Water Board	Amount claimed towards development charges, appeal pending with Andhra Pradesh Electricity Regulatory Commission.	390.02
Hyderabad Metropolitan Water Supply and Sewerage Board	Sewerage Charges	382.50
Risk purchase claim by GAIL	Claims towards risk purchase clause by GAIL of the year 1996-97	8.09
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.	20.44
Suppliers Claim	Disputed claims relating to supply of Material, its payment	71.46
Employees Co-op. Society	Interest on loan recoveries	35.96
Customer Claim	Customer / Court cases	1,447.11
Non-provision towards penal interest on unpaid contributions under employees family pension scheme in respect of Praga Tools division, Hyderabad as per directives of BIFR.	PF Authorities	1,357.39
	Total	6,751.66

Fair Values

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

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

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

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

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

NOTES FORMING PART OF FINANCIAL STATEMENT AS AT 31ST MARCH 2018

(Rs. in lakhs)

		As at 31-3-2018	As at 01-4-2017
6.0	Claims against the Company not acknowledged as debts		
	A. Tax related claims pending in appeal		
	i) Excise Duty	204.41	226.03
	ii) Sales Tax	90.11	90.11
	iii) Property Tax	5959.17	4512.57
	iv) Disputed Income-Tax		
	B. Employee related claims relating to Lockouts, Back wages, Incentive & Annual bonus, etc., pending adjudication, to the extent ascertainable	402.02	191.05
	C. Others (As shown in Annexure -A)	6751.66	5930.65
6.1	"Measne" profit liability, if any, in respect of Mumbai office premises, pending final decision of the Court	39.20	39.20
6.2	Additional Bonus, if any, in one of the Units for the years 1970-71 and 1972-73 and in some of the Units for 1985-86	-	-
6.3	Non receipt of related Forms against levy of concessional Sales Tax	416.05	1433.35
6.4	Estimated amount of contracts remaining to be executed on capital account and not provided for	757.15	912.58
7.0	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.	-	432.41
7.1	Include usable slow/non moving and surplus stores and materials / Work in Progress and Stock in Trade.	742.17	1233.04
8	**Trade Receivables include:**		
8.1	Dues towards erection and commissioning for a period exceeding one year.	210.60	389.71
9	**Advance include:**		
9.1	Amounts recoverable from employees advances, bonus, etc., pending adjudication /negotiations	2.82	2.84
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.	1611.82	1660.09

NOTES FORMING PART OF FINANCIAL STATEMENT AS AT 31ST MARCH 2018

(Rs. in lakhs)

		As at 31-3-2018	As at 01-4-2017
10	**Current Liabilities:**		
10.1	Dues to Micro and Small Enterprises based on the information available with the Company.		
	a) (i) Principal	107.22	131.36
	(ii) Interest	25.89	22.99
	b) Amount of interest paid	0.01	2.61
	c) Amount of interest accrued and remaining unpaid at the end of each accounting year	56.45	53.77
12	Balances under 'Trade Receivables', ' Loans & Advances', and 'Trade payables' are subject to confirmation, although confirmation has been sought in most of the cases.		

STATEMENT OF PROFIT & LOSS

Sales:

13	Sales are 'net' of sales returns		
	- Sales returns for the year	-	1.60
14	Value of Special Tools individually costing less than Rs.750/- written off during the year. during the year.	-	0.09
15	Expenditure on Research & Development	173.09	165.45
16	None of the individual item under Misc. Expenditure and Misc. Income exceeds 1% of the Turnover of the Company and hence not separately disclosed.		
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 Scik Industrial Companies (Special Provision) Act, 1985 and direction as per the Board of Industrial and Financial Reconstruction. Effective of 29th March 2007.

NOTES FORMING PART OF PROFIT & LOSS ACCOUNT YEAR ENDED 31ST MARCH 2018

(Rs. in lakhs)

			Year ended 31-3-2018			Year ended 31-3-2017
1 CONSUMPTION OF RAW MATERIALS AND COMPONENTS						
	Unit	**Qty.**	**Value**	**Unit**	**Qty.**	**Value**
Steel	MT	939.17	680.92	MT	789.00	461.61
Non-ferrous Metals as on Qty.	MT	0.17	0.78	MT	0.33	0.96
Ferrous Castings	MT	807.42	725.38	MT	760.59	494.73
Non-ferrous Castings	MT	36.88	21.53	MT	58.63	59.70
Forgings	MT	30.08	27.02	MT	49.55	41.84
Standard Parts			2516.76			2581.20
Components			489.87			340.42
Others			106.84			107.77
			4569.10			**4088.23**

2 TURNOVER	**Unit**	**Qty.**	**Value**	**Unit**	**Qty.**	**Value**
Machine Tools	Nos.	243	13534.54	Nos.	275	14649.71
Die-casting and Plastic machinery	Nos.			Nos.	1	68.48
Presses	Nos.	2	541.62	Nos.	2	636.75
Printing Machines	Nos.	8	250.29	Nos.	8	211.51
Cutter & Grinder	Nos.	46	483.39	Nos.	29	195.00
Thread Rolling Machines	Nos.	8	126.90	Nos.	9	143.40
CNC Lathe	Nos.		1375.33	Nos.	63	1348.25
Sale of Services			226.85			208.55
Accessories			215.60			294.43
Sundry Jobs and Misce. Sales			737.15			1882.13
Packing , forwarding & Other charges			216.80			114.17
			17708.47			**19752.38**

Additional Disclosure to P & L Account

(Rs. in lakhs)

Point No.	Particulars			As at 31-3-2018		As at 31-3-2017
3	INFORMATION REGARDING IMPORTS, EXPENDITURE AND EARNINGS IN FOREIGN CURRENCY/ EXHANGE AND CONSUMPTION					
	(a)	CIF VALUE OF IMPORTS:				
		Raw Materials		578.89		599.14
		Components and Spare Parts		1325.70		1464.82
		Capital Goods		13.59		-
	(b)	EXPENDITURE IN FOREIGN CURRENCY ON ACCOUNT OF TRAVELLING EXPNS. (ON PAYMENT BASIS)		-		4.15
	(c)	CONSUMPTION OF RAW MATERIALS, COMPONENTS, STORES & SPARE PARTS				
		Imported	26%	1952.62	26%	2008.72
		Indigenous	74%	5630.05	74%	5820.43
			100%	**7582.67**	**100%**	**7829.15**
	(d)	EARNINGS IN FOREIGN EXCHANGE				
		EXPORTS		50.09		28.44
		Routed through HMT(International) Ltd.,				
		OTHERS		-		-