HMT MACHINE TOOLS LIMITED

CONTENTS

BOARD OF DIRECTORS

Shri S. Girish Kumar	Chairman / Managing Director
Shri Pravin L. Agrawal	Director (w.e.f. 15.03.2019)
Shri Vishvajit Sahay	Director (upto 15.03.2019)
Smt. Neelam S. Kumar	Director (w.e.f. 13.11.2018)
Shri Siya Sharan	Director (upto 13.11.2018)
Shri Raj Kumar	Independent Director (upto 19.06.2019)

STATUTORY AUDITORS

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

SECRETARIAL AUDITOR

Shri S. Viswanathan	Company Secretary

BANKERS

UCO Bank	Punjab National Bank
Andhra Bank	State Bank of India

REGISTERED OFFICE

"HMT BHAVAN", 59, Bellary Road, Bangalore - 560 032

CORPORATE IDENTITY NUMBER

U02922KA1999GOI025572

CORPORATE VISION

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

CORPORATE MISSION

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

PERFORMANCE HIGHLIGHTS

(₹ in lakhs)

	2018-19	**2017-18**	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
OPERATING STATISTICS										
Sales	21741	17708	19752	21783	18859	17525	23623	24046	21068	20962
Other Income	2041	2825	2860	2054	2267	5767	1591	2330	1372	2851
Materials	8893	7583	7829	8968	7787	6842	10196	9982	7108	7602
Employee Costs	11051	13137	13176	14588	17059	13411	13402	13864	15248	12410
Other Costs	2474	5895	7,961	5,348	5,280	4,817	2832	5343	7144	4942
Depreciation	884	970	1010	965	1004	897	946	978	985	788
Earning Before Interest	480	-7051	-7364	-6033	-10004	-2675	-2162	-3791	-8045	-1929
Interest	6863	5874	5395	4633	2694	2591	2203	1599	1261	739
Earnings /(Loss) Before Tax	-6383	-12925	-12759	-10666	-12698	-5266	-4365	-4614	-9306	-2668
Taxation	-	-	-	-	-	-	-	-	-	-
Net Earnings	-6383	-12925	-12759	-10666	-12698	-5266	-4365	-4614	-9306	-4580
FINANCIAL POSITION										
Net Fixed Assets	5316	5472	6019	6731	7151	8027	8924	8489	9382	9432
Current Assets	37668	28116	27990	27018	27374	25310	23392	22969	21672	25521
Current Liabilities & Provisions	172865	151335	134168	114652	101644	54535	48927	47259	29570	26857
Working Capital	-135197	-123219	-106178	-87634	-74270	-29225	-25535	-24290	-7898	-1336
Capital Employed	-129881	-117747	-100159	-80903	-67119	-21198	-16611	-15801	1484	8096
Investments										
Miscellaneous Expenditure	-	-	-	-	-	-	-	-	4	6
Borrowings	634	5288	10335	16797	19035	4234	3554	-	12675	9,983
Net Worth	-130515	-123035	-110493	-97698	-86153	-25432	-20166	-15801	-11191	-1887
OTHER STATISTICS										
Capital Expenditure	-	-	-	-	-	-3	-1384	-105	-988	-2893
Internal Resources Generated	-5499	-11955	-11749	-9701	-11694	-4369	-3419	-3636	-8321	-3792
Working Capital Turnover Ratio	-0.16	-0.14	-0.19	-0.25	-0.25	-0.60	-0.93	-0.99	-2.67	-15.69
Current Ratio	0.22	0.19	0.21	0.24	0.27	0.46	0.48	0.49	0.73	0.95
Return on Capital (%)	-0.39	8.43	7.10	6.94	3.48	3.59	3.71	1.55	-0.51	-2.17
Employees (Nos)	1246	1,425	1651	1902	2218	2567	2950	3278	3652	3808
Per capita Sales	17.45	12.43	11.96	11.45	8.50	6.83	8.01	7.34	5.77	5.50

DIRECTORS' REPORT 2018-19

To,
The Members,
HMT Machine Tools Limited
Bangalore

Dear Members,

Your Directors have pleasure in presenting their twentieth Annual Report on the business and operations of the Company and Annual Financial Statements of the Company for the Financial Year 2018-19 along with the Auditors' Report there on.

Financial summary / Performance of the Company

(Rs. in crore)

Earnings	Current year 2018-2019	Previous year 2017-2018
Gross Income	217.41	177.08
Profit before Interest and Depreciation	13.64	-60.81
Finance Charges	68.63	58.74
Gross Profit	-54.99	-119.55
Provision for Depreciation & Amortized	8.84	9.70
Net Profit Before Tax excluding OCI	-63.83	-129.25
Provision for Tax	-	-
Net Profit After Tax	-63.83	-129.25

Your Company achieved a Sales turnover of Rs. 217.41 Cr. during the year 2018-19 as compared to Rs. 177.08 Cr. in the previous year. The Production performance was Rs.238.83 Cr for the year under review as against Rs. 163.15 Cr. achieved during the previous year. Orders valued Rs. 253.33 Cr. was procured during the financial year 2018-19 as against Rs. 174.56 Cr. in the previous year.

The operations of the Company resulted in a Net Loss of Rs. (-)63.83 Cr. as against the loss of Rs. (-) 129.25 Cr. (excluding OCI) incurred in the previous year.

MARKET SCENARIO AND FUTURE OUTLOOK FOR 2018-19

India is currently the sixth largest economy of the world, currently valued at US $ 2.7 trillion, will grow to become US $ 3.0 trillion in 2019 - 2020; and is well within capacity to reach US $ 5.0 trillion by 2024 - 2025. International Monetary Fund (IMF) has pared India's growth forecast for the just-concluded fiscal and the next two years, citing softer recent growth and weaker global outlook, but expects the country to retain its place as the fastest growing major economy in the world. According to IMF estimates, Indian economy grew 7.1% in FY 19 and is expected to accelerate to 7.0% growth this fiscal and to 7.2% in FY 21 reflecting a weaker- than expected outlook for domestic demand. The Reserve Bank of India lowered the economic growth forecast to 7.0 % for FY 19 due to slowdown in domestic activities and escalation in global trade war.

The market for the machine tools in India is witnessing impressive growth. India stands 12th in production and 8th in the consumption of machine tools in the world as per Gardner Business Media Survey-2017 published by Indian Machine manufacturers Association. 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.

The Indian machine tools sector offers several opportunities for investment. Given the current gap between demand and supply, there is a clear need for adding capacities in this sector. The industry is moving towards increasingly sophisticated CNC machines, driven by demand from key user segments such as automobiles and consumer durable, Aerospace etc.

Domestic consumption is also expected to increase due to revival in rural demand after normal monsoon and agricultural impetus. 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 2019-20 in comparison with the previous year. All this in turn is expected to boost the demand for machine tools during 2019-20.

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 2018-19.

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 2019 is Rs.(-) 1305.15 Crore.

Indian Accounting standards

As required under Companies (Indian Accounting Standard) Rules, 2015 (Notification No. 111(E) dated 16.02.2015 issued by Ministry of corporate affairs) the Company has prepared the financial statements in accordance with Indian Accounting Standards (Ind AS) with effect from Financial year 2016-17 along with comparatives for the previous year 2015-16.

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

Fixed Deposits

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

Enterprise Risk management

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

Particulars of Employees

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 31.3.2019 stood at 1246 during the year under review, 222 employees have separated and 42 employee newly inducted in the Company.

The details of different categories of personnel in position as on 31.3.2019 are given hereunder:

Scheduled Castes	244
Schedule Tribes	53
Other Backward Class	366
Ex-service men	4
Person with Disabilities (PWD)	19
Women Employees	61
Minority	154

EMPLOYEE RELATIONS

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

IMPLEMENTATION OF OFFICIAL LANGUAGE

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

In order to propagate the usage of Hindi as Official Language, Hindi Pakhwada was observed during the month of September 2018. Various competitions in Hindi Story Writing, Hindi News Paper Reading, Hindi Quiz writing, Hindi conversation, Hindi Antyakshari etc., were organized and participants were awarded prizes. A workshop was organized during the above period. The Company regularly take part in the meetings, Workshop and competitions organized by Town Official Language Implementation committee.

Vigilance Activities

The Company has adopted a pro- active approach to bring vigilance awareness amongst all employees and other stakeholder. The vigilance cells at all units are functioning and keeping watch on the overall activities of the Company. The vigilance officers at each unit carry out surprise checks and periodic inspection in various departments. 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, 2019 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 31.03.2019, the applicable accounting standards has been followed along with proper explanation relating to material departures;
- ✓ that such accounting policies have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for the year ended on that date;
- ✓ that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- ✓ that the annual financial statements have been prepared on a going concern basis;
- ✓ that proper internal financial controls were in place and are adequate and were operating effectively;
- ✓ that proper systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively;
- ✓ Since the overall performance of the Company is evaluated against the annual MoU targets set by the Department of Public Enterprises (DPE), no specific criteria is laid down for the evaluation of Board and of its Committees and the individual Directors. Since your Company being a Central Public Sector Enterprise (CPSE), the personnel policies and guidelines issued by DPE are being adopted in line with other CPSEs, However your Company has policy in respect of appointment or evaluation of senior management and key managerial personnel including Functional Directors.

EXTRACT OF ANNUAL RETURN

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

AUDITORS

1. Statutory Auditor

M/s V. R. Murali & Co, Chartered Accountants, were appointed as Statutory Auditors of the Company for the year 2018-19 by the Comptroller & Auditor General of India and separate Branch Auditors were also appointed for the Company.

2. Cost Auditors

Your company has appointed Cost Auditors for the year 2018-19 to conduct cost audit for various units as under:

- M/s PSV & Associates, Cost Accountants & Management Consultants (000304), Bangalore-560 079 for consolidation audit of the Company.
- Chidananda & Co., Cost & Management Accountants (101167), Bangalore-560 061 for auditing the cost records maintained by the Company in respect of for auditing the cost records maintained by the Company in respect of MBX, MTH & PTH Unit.
- M/s M K & Associates, Cost Accountants, for auditing the cost records maintained by the Company in respect of MTP unit.
- M/s BBS & Associates, Cost Accountants for auditing the cost records maintained by the Company in respect of MTK unit.
- M/s R.K. Bhandari & Co., Cost Accountants for auditing the cost records maintained by the Company in respect of MTA unit.

3. Secretarial Auditor

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

Declaration from Independent Directors

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

Directors and Key Managerial Personnel

The Ministry of Heavy Industries and Public Enterprises, Department of Heavy Industry, New Delhi vide Presidential order No. 1-05/4/2017-P.E.10 (E19415) dated 26th August, 2019 conveyed the approval of the Competent Authority for extension of additional charge of the post of Managing Director of the Company to Shri S. Girish Kumar, CMD, HMT Limited for a further period of six months w.e.f 01.08.2019.

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

Smt. Neelam S. Kumar (DIN NO. 08220197), CCA, Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises has been appointed as part time official Director on the Board of the Company with immediate effect until further orders vice Shri Siya Sharan, CCA, Department of Heavy Industry vide Presidential Order No.F.No.5(8)/ 2010-P.E.X dated 13th November 2018.

Shri Pravin L. Agrawal (DIN NO. 05277383), Joint Secretary, Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises has been appointed as part time official Director on the Board of the Company with immediate effect until further orders vice Shri Vishvajit Sahay, Joint Secretary, DHI vide Presidential Order No.F.No.5(8)/ 2010-P.E.X dated 15th March 2019.

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

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 : 28th August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

A Industry Structure and Development

As per data available from IMTMA, 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 MSME sector of the industry. Approximately, 75 per cent of the major Indian machine tool producers are ISO certified. While the large organized players cater to India's heavy and medium industries, the small-scale sector meets the demand of small and medium machine tools, ancillary and other units. Many machine tool manufacturers have also obtained CE Marking certification, in keeping with the requirements of the European markets.

The Machine Tools industry can be broadly classified into metal-forming and metal-cutting tools based on the type of operation. Metal forming is the metal working process of fashioning metal parts and objects through mechanical deformation; The market segment by type, covers Bending Machine, Shearing Machine and Forging Machine. Market Segment by Application can be broadly divided into General metal fabrication, Construction, Heavy Metal Fabrication, Ship building and Offshore, Automotive and others. As per Metal Forming Tool Industry 2019 Global Market Research report 2019 , the worldwide market for Metal Forming Tool is expected to grow at a positive rate over the next five years. As per IMTMA Production of metal forming machines has reached Rs. 731 Cr during 2017-18 compared to Rs. 609 Cr during previous year, registering a Y/Y growth of 20 percent.

Metal Cutting Machine Tools Industry plays a major role in the production of diverse products starting with Automobile industry to high precision components for the Aerospace, Defence, Railways, Instrumentation and Electronics industries, and everywhere in-between. Metal Cutting is a collection of processes wherein material is brought to a specified geometry by removing excess material using various kinds of tooling to leave a finished part that meets specifications. Based on the working process, metal cutting machineries can be broadly classified into Turning Machines, Machining Centre, Drilling Machine, Milling Machine, Grinding machine, Gear Cutting machine, Electrical discharge machining (EDM). The metal cutting machine tool industry in India has been serving the need for manufacturing through the manufacture of a variety of metal cutting machines. Although the industry is yet to meet the full potential and demand for higher technology machines, market share for Indian machines have improved in recent years. Metal cutting machine tool industry plays an important role in manufacturing sector, constitutes about 80 percent of total metal working machine tools demand in India. About 47 percent of metal cutting machines consumed in India are imported. 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 Total investment in machine tool related sectors projected to be reached Rs. 15,880 Cr. in 2018. With Auto & Auto components received the highest share of investments among machine tool user segments at 58% with a net value of Rs.9185 Cr. in 2018. The Indian machine tools sector offers several opportunities for investment. Given the current gap between demand and supply, there is a clear need for adding capacities in this sector. The industry is moving towards increasingly sophisticated CNC machines, driven by demand from key user segments, such as automobiles and consumer durables, Aerospace, etc. Machine tool manufacturers need to develop capabilities to cater to this demand and investments in this area could yield long term benefits. IMTMA projected machine tool Production to reach Rs. 11900 Cr (US$ 1700 Mn) by FY2019-2020, a growth of 25% and also estimated machine tool Consumption to reach at Rs. 22800 Cr (US$ 3257 Mn) by FY2019-2020, a growth of 20%, IMTMA also predicted rising demand in the new sectors such as aerospace, aviation ,railways, power, healthcare and infrastructure has led to huge domestic demand for large sized machine tool requirements.· IMTMA collects data from user/ manufacturing industry and broadly catagerises the technology/ machine types and an estimation will be predicted for Industry analysis/forecast. Since data is raw, unauthenticated and grouped the machine types/ technologies cannot be measured as a benchmark for consideration of machine tool industry.

According to the latest Gardner Intelligence's World Machine Tool Survey, global machine tool consumption increased $4.1 billion, or 4.8%, to $91.9 billion in 2018.

This made 2018 an apparently ordinary year, as the median annual increase in global machine tool consumption since 1961 is 4.2%. The Government of India has taken several initiatives to promote a healthy environment for the growth of manufacturing sector in the country .The continued investment by the government in public infrastructure is helping the economy to grow. GOI aims to raise manufacturing contribution to GDP from present 16.7% to 25% by 2025, The production levels are expected to pick up industry growth influenced by GST implementation. Macro-financial and structural policy reforms in India is expected to give boost to economic growth and business investments in short term forecast.

It is expected that India's economy may improve and strengthen the Government of India's aim of manufacturing sector contributing to around 25% of the country's GDP. For this, the industry needs to tap into various opportunities and forge partnerships with overseas companies for technology reforms, which can pay rich dividends. This would also enable the manufacturing sector to explore possibilities of substituting import machinery with indigenous ones and meet the strategic needs of various industries. The reduction in corporate tax is a positive step towards development of MSME sector and enhancing their production capacities. India has a significant number of MSMEs and this move is expected to foster their development. The development of MSME's is also one of the principle objectives of the Government. In view of the thrust given by government for Make in India program Sectors like Railways and industrial intermediates recorded a good growth in turnover during 2018-19. This growth in various sectors presents a positive outlook for improving the company's business during 2019-20.

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:

- Increased interest rate due to poor credit rating of the company.
- Lowering of import duty for CNC Machinery & Equipments.
- Influx of second hand / reconditioned imported machines.
- No level playing for public sector undertakings.
- Fast technology obsolescence
- shortage of Skilled Manpower in critical area and attrition of man power
- Increased competition in global and Indian market
- Change in Government Policy for Auto Sector
- Recession in Indian Economy

E Segment wise or Product wise Performance

Segment wise Performance: Segment wise sales for the year 2018-19 of the Company is as under-

Sector	**Rs. in Lakhs**
Auto & Auto Ancillary	669
Railways	2145
Defense	6030
Mining & Metals	1024
Industrial Machinery & Intermediates	8268
Power	2340
Consumer Durables & Others	1265
Total	**21741**

F Outlook

Demand for machine tools diminishing from the manufacturers of primary goods and intermediate goods. The primary user industries include the automotive sector, capital goods sector and consumer durables sector. Prominent users of machine tools in the intermediate goods sector include the auto components, bearings and electronic components. Only sectors like Agriculture Machinery, Power, Defence, Railways and industrial Machinery/intermediates recorded a good growth in turnover during 2018-19. Therefore your Company is exploring alternate sector like Sevage Plants, Battery Charging Station for automobiles, renewable energy, turnkey projects, Defence, Aerospace and machinery & equipments for nuclear applications. This growth in various sectors presents a positive outlook for improving the company's business during 2019-20.

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 31.03.2019, 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 2018-19, five Board Meetings were held on May 04, June 07, September 25, October 29, in the calendar year 2018 and on January 25, in the calendar year 2019. 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 Chairmanship
Shri S.Girish Kumar	C & NENI	5	100%	1	7	1	-
Shri Vishvajit Sahay Ceased to be Director w.e.f 15.03.2019	NENI	4	80%	NA	4	1	-
Shri Pravin L. Agrawal appointed w.e.f 15.03.2019	ENI	0	NA	NA	5	0	-
Shri Siya Sharan Ceased to be Director w.e.f 13.11.2018	NENI	0	0%	NA	2	3	-
Smt. Neelam S. Kumar appointed w.e.f 13.11.2018	NENI	0	NA	NA	3	3	-
Shri Raj Kumar Ceased to be Director w.e.f 19.06.2019	NEI	4	80%	NA	0	-	1

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

Brief Resume of Directors appointed during the period

Shri Pravin Agrawal

Shri Pravin Agrawal, aged 51 years, is Joint Secretary in the Department of Heavy Industry, Government of India has been appointed as Part- time Official Director on the Board of HMT Machine Tools Limited w.e.f 15th March 2019. An Indian Forest Service Officer (1994 Batch), Shri Pravin Agrawal is a commonwealth scholar & holds post graduate degree in sustainable development, public policy and management from different global universities. Shri Pravin Agrawal also a part time Board of Director on the Boards of HMT (Ltd.), HMT (I) and HEC, Ranchi. He has varied experience in the field of Public policy and Governance issues. He has been nominated by U.S. Department of State for its prestigious fellowship "International Visitors Leadership programme" on Border Trade issues during 2015. Shri Pravin Agrawal is working on the policy environment of Automobile sector since his joining in Department of Heavy Industry from March, 2015. He is the main architect of FAME India Policy. He is responsible for implementation of recently launched scheme on Electric Mobility/ FAME-II Scheme. Shri. Pravin Agrawal is holding directorship in listed entity i.e. Tide Water Oil Co. Ltd and HMT Limited, not holding membership/chairmanship of Committee of the Board in other listed entities. Shri. Pravin Agrawal does not hold any shares in HMT Machine Tools Limited and No relationship shared between Directors inter-se and Key Managerial Personnel of the Company.

Smt. Neelam S. Kumar

Smt. Neelam S. Kumar aged 57 Years is an ICAS Officer of 1984 Batch. She is MSc (Economics), Social Development Planning and Management, Swansea University, UK, MSc-Zoology from Delhi University and holding CGAP, Certificate of Government Auditing professional 2012, IIA, florida. She has undergone training in World Bank Procurement systems, NIFM, India and Management Development Program, Ooty, India.

She is currently working as CCA in M/o Industry and looks after four Departments viz., DPIIT, MSME, HI & PE and this Ministry is to facilitate creation of an enabling environment and infrastructure for accelerated growth of Industry. As Head of Accounts department and Budget in-charge, she was involved in Policy development and implementation, performance management of entire Ministry and its employees, and providing leadership to over 250 employees directly reporting to her in different offices all over the India.

She is also an certified Government Auditing Professional and have been trained by World Bank to be a Master Trainer of Audit and 'Trainer of Trainees'. She conducts audit of various schemes and organistions of all the four departments of Ministry of Industry.

Committees of the Board

The Audit Committee of the Company has been reconstituted on 25 Jan 2019. During the year 2018-19, four Meetings of the Audit Committee were held on May 04, June 07, October 29, in the calendar year 2018 and on January 25, in the calendar year 2019. 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	4	4	100%
Shri S. Girish Kumar	Member	4	4	100%
Shri Siya Sharan (up to 13.11.2018)	Member	3	0	0%
Smt. Neelam S. Kumar (w.e.f. 25.01.2019)	Member	0	0	NA

Remuneration of Directors

The details of remuneration of whole time Director is Nil, since Company has no whole time director during the year ended 31.03.2019. Sitting fees of Rs. 5000/- per meeting of Board and Rs. 3000/- for Audit Committees paid to the Independent Director for attending meetings of the Board and Committees. Conveyance for attending Board/ ACB Meetings is reimbursed by the Company as per actual. Rs. 500/- is reimbursed to the Director using personal conveyance for attending the meeting.

General Body Meetings

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

Financial Year	Date	Time	Venue
2015-16	28.09.2016	11.45 A.M.	Registered Office at No.59, Bellary Road, Bangalore-560 032
2016-17	28.11.2017	11.00 A.M.	As above
2017-18	20.08.2018	11.30 A.M.	As above

Annual General Meeting for the current year is scheduled to be held in the month of September 2019 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 2017-18 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.

WHISTLE Blower Policy

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

Annexure to the Directors' Report -

Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo

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

a) Energy Conservation measures taken:

- i Created awareness on the importance of energy conservation and practices among employees & residents has resulted in reduction of electricity consumption.
- ii Replacement of fixed roof tops panel with transparent panels in shop floor and training centers for use of nature Day Lighting, Skylights etc.
- iii Recycle water, particularly for use with less-critical quality requirements
- iv Use of timer or automatic sensor to turn off pumps and fans.
- v Using smooth, well-rounded air inlet cones for fan air filters
- vi Reducing excessive illumination levels to standard level using switching, declamping etc.
- vii Lights / Fans / Exhaust Fans etc being switched off when not in use.
- viii Focused on reducing scrap and rework to conserve energy.
- ix Optimizing the tariff structure with utility supplier
- x Schedule operations to maintain a high load factor
- xi Replacing fluorescent tubes with LED lights & Solar Panels.
- xii Optimum usage of all electrical appliances
- xiii Using solar energy in the canteen for cooking
- xiv Shutoff unnecessary printers, computers, copier machines at night.
- xv Idle running of Machines avoided.
- xvi Replacing energy efficient motors.
- xvii Check for under voltage & over voltage conditions.
- xviii Instead of using of 150Hp compressor, 50 Hp compressors are put to use
- xix Controlling the Maximum demand of electricity to reduce the Electricity Bill and usage of Natural light
- xx By carrying out regular maintenance to optimise furnace performance and maintain yield resulting reduction in energy consumption
- xxi Job planning in Heat Treatment / Foundry Furnaces resulted in reduction of specific energy consumption
- xxii Running Induction Furnace on Sunday to reduce maximum demand and consumption of diesel
- xxiii Retrofitting of furnace with heat recovery devices.
- xxiv Maintaining Power factor up to 0.98 and getting cash rebate in Electricity Bill during 2018-19
- xxv Preventive maintenance of power capacitors at sub station
- xxvi Under loading of Stress Relieving Furnace is avoided.
- xxvii Maximized utilization of Omega sand mixer thereby savings in energy.
- xxviii Maximized utilization of medium frequency furnace and reduced usage of line frequency furnaces in Foundry.
- xxix Compressed air leakage minimized and are being switched off during shift change / Lunch break

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

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

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

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

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

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

B. TECHNOLOGY ABSORPTION-FORM B

Research and Development (R & D)

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

a) Technology Acquisition / Absorption:

i. 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. The Design & development of "Headstock of four Guide way lathe" project completed in the month of March.18 at Bangalore Complex. The prototype of Turn Mill Centre with Y-axis SB CNC 30 TMY was completed in the month of Sept.18 at Kalamassery Unit and both the machines were productionized.

ii. R & D status for Hyderabad and Bangalore units to carry out research & development activities. R&D recognition for other HMT units under active consideration by DSIR

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

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

- Successfully Designed, Developed, Manufactured & Supplied to M/s SHAR, ISRO, State-of-art 3 axis CNC Vertical Facing Mill BH114 & BH115 machine with 4 meter table & 65 tons load carrying capacity with hydro static bearings first time in India as an import substitution under "Make in India" Initiative of Government of India. Solid rocket motors components are manufactured on this machine by ISRO as a part of Chandrayaan-2 mission. This machine is with state-of-art technology with various sub-systems, remote CNC controlled system to machine extremely hazardous solid propellant and high speed machining for motor insulation.
- Successfully Designed Developed, manufactured and Supplied CNC Ram VTL machine VT522 to M/s NFC, Hyderabad with grinding attachment for machining operations like Boring, Counter Boring, Grinding of HEP & VPP Containers(Tool Steel) weighing upto 12 tons used for hot extrusion of Zirconium tubes.
- Successfully Designed, Developed, Manufactured & Supplied CNC VTL 1600 machine VT 525 to M/s VSSC, Tiruvananthpuram.
- Successfully Designed, Developed, Manufactured & Supplied new products Stallion 200TMC, SBCNC 30N, SBCNC TMY, CMT 200.
- Successfully Designed & Developed VMC300 machine and introduction of in-line direct Drive Spindle.
- Development of Flow Forming Lathe under technology transfer from M/s F.T. Machines, Germany
- Development in house CNC Centre less Grinder for Grinding of Uranium Pallets with Auto loading & unloading.
- Development of CNC Twin Head Grinding m/c for simultaneous grinding of both ends of railway axle for M/s ICF, Chennai.
- Developed axle grinding machine and supplied to Indian Railways.

c. Development of existing machines:

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

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

B1. Other Initiatives from company:

a. Greater emphasis on Preventive Maintenance and efficient Spares Management for Plant & Machinery to reduce breakdown and production loss.

b. Completely out sourcing of B and C class item.

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

Improvement in order inflow

3. Future Plans of action:

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

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

c. Medical Equipments & accessories.

d. Winch Assembly for Indian Navy under progress.

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

f. Industrial Robotics with Hiwin, Taiwan

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

a) Capital	Rs.	-
b) Recurring	Rs.	153.19
Total	Rs	153.19

5. Total R & D Expenditure 0.70%
(as % of Turnover)

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

a. Dept. of Scientific & Industrial Research (DSIR), Dept. Of Science and Technology, Govt. of India recognized 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.

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	237.55
2.	Outgo of Foreign Exchange (CIF value of imports)	2027.63
3.	Expenditure in Foreign currency on account of travelling	3.39
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 31.03.2019

[*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	83%

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	L29230KA1953GOI000748	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 01.04.2018				
i) Principal Amount	3264.58	34,852.80	-	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**
Change in Indebtedness during the financial year				
- Addition	12340.16	5771.45	-	18111.61
- Reduction		-	-	
Net Change	**12340.16**	**5771.45**	**0.00**	**18111.61**
Indebtedness at the end of the financial year 31.03.2019				
i) Principal Amount	15604.74	34852.80	-	50457.54
ii) Interest due but not paid	-	20434.34	-	20434.34
iii) Interest accrued but not due	-	1839.58	-	1839.58
Total (i+ii+iii)	**15604.74**	**57126.72**	**0.00**	**72731.46**

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
	NIL	

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	32,000/-
- Commission	-
- Others, please specify	-
Total (1)	32,000/-
Other Non-Executive Directors	
Particulars of Remuneration	-
Total (2)	-
Total (B)=(1+2)	32,000/-
Total Managerial Remuneration	**32,000/-**
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	5,64,000/-
	(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)	-
5.	Provident Fund	66,971/-
6.	Gratuity	27,093/-
	TOTAL (A)	**6,58,064/-**

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 2018-19

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 28, 2019

Form No. MR-3

Secretarial Audit Report for the financial year ended 31st March 2019

[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)
HMT Bhavan, 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 2019 (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 2019 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.**

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 : 26-07-2019

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)
HMT Bhavan, 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 : 26-07-2019

ADDENDUM TO SECRETARIAL REPORT FOR THE YEAR 2018-19 IN RESPECT OF OBSERVATIONS MADE BY SECRETARIAL AUDITOR ON THE SECRETARIAL AUDIT OF HMT MACHINE TOOLS LIMITED FOR THE YEAR ENDED 31ST MARCH 2019.

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. Shri Harikumar M. has been appointed as Chief Financial Officer of the company w.e.f 15th May 2019 in accordance with the provisions of section 203 of the companies Act, 2013.

Place: Bengaluru
Date: 28th August 2019

(S. Girish Kumar)
Managing Director

CERTIFICATE OF CORPORATE GOVERNANCE

Corporate Identity Number : U02922KA1999GOI025572

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, 2019**, 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 and

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

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

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

Place: Bengaluru
Date : 24th June 2019

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, 2019.

Sd/-
(S. Girish Kumar)
Managing Director

Place: Bengaluru
Date : 28th Aug. 2019

INDEPENDENT AUDITOR'S' REPORT

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

REPORT ON THE STANDALONE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the standalone financial statements of **HMT MACHINE TOOLS LIMITED, BANGALORE,** ("the Company"), which comprise the balance sheet as at 31st March 2019, and the statement of Profit and Loss, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters stated in basis for the Qualified Opinion the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and its loss for the year ended on that date.

Basis for Qualified Opinion

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

2. The accounting policy stated for the recognition of revenue is based on the Ind AS 18 however with effect from April 1, 2018, Ind AS 18 has been withdrawn and has been replaced with Ind AS 115. The Company's accounting policy on recognizing the revenue has not been changed despite the enactment of the new standard. This results in non-compliance to Section 129 of the Companies Act, 2013. The Impact of such non-compliance on the Loss, Assets and Liabilities could not be ascertained.

3. As required by IND AS-36 the company has not carried out Impairment Test even though both Internal and external Indicators are present due to Technological development and effect on the performance of the Asset.

   Intangible Asset not available for use and shown as "Intangible asset under development" of MBX, includes Rs.229.35 lakhs towards SAP software purchased during 2010 and hardware cost of Rs.128.89 lakhs which is disclosed in the balance sheet as capital work-in-progress.

   The SAP system is not fully customised nor put to use. Impairment test has not been carried out and asset value is carried at cost whereas due to inordinate delay in implementation, the SAP system might have been redundant due to frequent technological development both in hardware and software.

   Due to non-usage of the system for long period of time, disclosure of capital expenditure without carrying Impairment test as capital Work-In-Progress at cost price, is not Justifiable.

4. The Unit has not complied from the requirement of Schedule-II of Companies Act, 2013 of depreciating the assets over its useful life and such depreciable amount shall be the cost of assets less its residual value. The company follows the policy of depreciating the Plant and Equipment costing less than Rs.10,000/- to Rs.1/- in the year of Purchase. Due to unavailability of required information impact could not be quantified.

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

EMPHASIS OF MATTERS

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

Emphasis of Matter:

a) **Non-Confirmation:** Note 7 and 17 to the financial statements which, indicate Trade Receivable and Trade Payable are subject to confirmation from the parties. In the absence of confirmation from parties towards Trade payables, Trade receivables, Advances received, Advances paid, Deposits (including Security Deposit) the process of reconciliation of party balances is incomplete. Due to non-availability of confirmation of balances from the parties, we are unable to express an opinion on the correctness of the balances and their impact on the financial statements.

b) **Cash Flow Statement**: According to Section 129 of the Companies Act, 2013 read together with Section 2(40) of the Companies Act, 2013 and Companies (Indian Accounting Standard) Rules, 2015, the Cash Flow Statement forms integral part of Ind AS financial statements however, the accompanied Ind AS financial statements of the Unit do not include such cash flow statements for the period ended March 31, 2019 and its comparative period at the Unit level has not prepared the same, therefore it results in non-compliance to the mentioned section and rules, however consolidated cash flow statement is prepared at Head office.

c) **Going Concern**: It is observed from the financial statements that all units with the exception of Kalamassery Unit, is incurring loss year after year and the accumulated losses which is transferred to Head Office. The unit's current liabilities exceed current Assets as at balance sheet date. However, the financial statements of the Units and its consolidated financial statement of the Company have been prepared on "Going Concern Basis".

d) **Inventory Valuation:** Reference is invited to Note No.6 of the Notes forming part of financial statements which describes that the inventories are valued at Cost or Net Realisable Value whichever is lower, and the cost is determined through Weighted Average Cost Method. However, the policy of determining the cost do not comply with IND-AS 2 "Inventories" where it is stated that "The cost of inventories of items that are not ordinarily interchangeable and goods or services provided and segregated for specific projects shall be assigned by using Specific Identification of their individual costs". As the division is majorly into order-based supplies the inventory should be valued at Specific Identification costs instead of weighted average costs. Further the inventory stated in the Ind AS financial statements as at March 31, 2019 have been valued at weighted average costs.

e) **Net Realisable Value** : It is observed that "Net Realisable Value" of the inventories, has not been ascertained by the management, due to which the inventories are valued at weighted average cost. Due to non- availability of the net realisable value, we are unable to express our opinion on the Impact of such non-determination of the net realisable value compliance on the loss and value of assets could not be ascertained.

f) **Authorised Capital:** As per the MCA records the authorised capital is Rs.800.00 crores, comprising of Equity Shares Capital of Rs.355.00 crores and Preference share capital of Rs.455.00 crores. However, the company has continued to show in its books and financial statements authorised capital as Rs.355.00 crores only related to Equity Share capital. Company to take suitable action, if the authorised capital is reduced and file required returns with MCA.

g) **Non-provision for Preference Dividend:** It is observed that 3.5 % Preference Share Capital issued during 2007 redeemable after 3 years amounting to Rs.443.00 crores has shown under "Other Financial liabilities". The company has not made any provision for the payment of accumulated dividends on the 3.5 % preference share capital.

h) **Escrow Account:** As informed to us redemption of Preference shares capital will be out of sale proceeds of the identified surplus assets. It is observed that MBX has realised Rs.18.50 crores towards the sale of a portion of the land to BBMP, pending execution of legal documents for transfer of property. We are unable to comments, whether the sale of land to BBMP is a part of the identified surplus assets and if so, the fund should have been deposited in an escrow account for redemption of Preference shares.

MBX, Bangalore:

a) **Land Transfer:** As observed a portion of the land used for "Roads" measuring approx. 4.25 acres has been acquired by Bruhat Bangalore Mahanagara Palike (BBMP). As at 31 March 2019. BBMP has paid adhoc land compensation deposit of Rs.18.508 Crores, pending final joint measurement and issue of correct dimension report. Since the land is not transferred to BBMP following the legal procedure, the said land measuring 4.25 acres is continued to be shown as fixed assets even though BBMP has taken over the possession of the said Land (formed Road).

b) **Land:** As informed to us, the Company owns total land of 330.28 acres in Bangalore Complex, which were partly Gifted and partly acquired over the years. The said land is used for factory buildings, offices, residential quarters, hospital, cinema, stadium, commercial complex, internal roads etc. In addition, there exists vast area of open spaces. As, the title deeds of the land, physical verification, survey and demarcation of land is not provided, we are unable to comment on the ownership, accuracy of the area of land usage and encroachment if any.

c) **Capital Work-In-Progress:** 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 4,00,000 (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.

As informed to us the Company is communicating with NUM AG to rescind the agreement. In view of the proposed closure of the agreement making provision and accounting expenditure as capital Work-In-Progress is not justified.

Kalamassery Unit:

a) **Land:** It is observed that Unit has surrendered 6 Acers 89 Cents to Ancillary Industrial Estate and further 1 Acre 86 Cents has been surrendered to Kerala Electricity Board during the period of 1971-1974. Due to non-availability of records, we are unable to review the compliance to the legal process of such transfer of land and its accounting in the books of accounts.

b) **Land:** Unit has paid Land tax for a portion of the land situated at Thandaper No.3707 in the name of HMT Limited, Bangalore. Possession certificate issued by the village office in the year 2000 indicates an area of 193 Hectares, 62 Acres 70 Sq.mtr in the name of HMT Limited, Bangalore and not in the name of HMT Machine Tools Limited. As informed to us, the management has applied for possession certificate, location and sketch on 15th June 2015, which is pending due to property disputes. Hence, we are unable to express our opinion on whether the company has absolute title to the Land included in the books of accounts.

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

d) **Margin money deposit** of Rs.43.33 lakhs has been classified as Cash & Cash equivalents. However, bank confirmation has been produced for Rs.33.29 lakhs. The liquidity and realisability of the balance of Rs.10.04 lakhs is not ascertainable in the absence of deposit of receipt or other documents in the name of the Unit.

Pinjore:

a) Prior Period Items: The Unit has booked interest income of Rs.4.47 lakhs on deposit with Uttar Haryana Bijli Vitran Nigam, which was pertaining to previous year 2017-18. As per Ind AS-8, "Accounting Policies Changes in Accounting Estimates", it requires retrospective adjustment of prior period errors and omissions by restating the comparative amounts for the prior period presented or where the errors relates to the period(s) before the earliest prior period presented, restating the opening balance of assets, liabilities and equity for that period. As the unit has not retrospectively adjusted the prior period error or omission of Rs.4.47 lakhs, it has not complied with the Accounting standards - Ind AS 8.

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

Praga Tools:

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

Hyderabad:

a. Finance Charges: It is observed that the Letter of credit Charges has been charged to the purchases ledger due to which such finance charges are included in the cost of inventory. As per Ind AS 2 – "Inventories" cost includes all those of expenses incurred to bring the inventory to the present location or state. Reference is invited to the Note 6 of the Notes forming part of financial statements where the Inventories as at March 31, 2019 is stated which includes Letter of credit charges. Thus, in our opinion the letter of credit charges being a finance cost do not constitute a cost for bringing the inventory to the present location or state, there is a departure from the Companies (Indian Accounting Standards) Rules, 2015 read together with Ind AS – 2 "Inventories". The impact of such cost on the loss and the assets of the division could not be ascertained.

b. Prior Period Item: On our verification of the books of accounts maintained it was observed that Rs 17.08 lacs has been charged to the Statement of Profit/loss for the year ended March 31, 2019 which belongs to previous accounting periods. According to Ind AS 8 any expense/income which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods shall be corrected retrospectively and not accounted as a charge in the current year. This results in non-compliance to Companies (Indian Accounting Standards) Rules, 2015 and the impact of such non-compliance results in overstatement of current year loss, the impact of which could not be ascertained.

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

d. **Property:** According to the information and explanations given to us, the records examined by us and based on the examination of the lease deeds (with erstwhile Government of Andhra Pradesh and transferred to the Division upon demerger of M/s HMT Limited) provided to us, mutation of lease deed has not been conveyed and registered in the name to the Division. Further we have not been provided with approval documents with regard to freehold buildings to establish that they are appropriately held in the name of the Division as at the balance sheet date.

Our opinion is not modified in respect of these matters.

Responsibility of Management for Standalone Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Other Matter

1. **Non-Deduction of Income Tax (TDS):**

   It is observed that Marketing Division Unit has not complied with the provisions of the Income Tax Act, under section 194 I. TDS @10% has not been deducted on Rent of Rs.2,70,600/- paid by Delhi Region to M/s.Hardayal & Sons for the Period of February 2018 to April 2018, which was adjusted against Rent Deposit during the month of September 2018.

2. Short Claim of GST – Input Tax Credit:

It is observed that Unit's Pune Region, has claimed GST Input Tax Credit of Rs.67,051 as against the available GST ITC (2A) of Rs.1,34,317, thereby short claim of GST ITC by Rs. 67,266 for the year.

3. Delay in filing GST Returns:

It is observed that few Units are not filing the monthly GST returns in time. E.g. MBX, Marketing Unit have not filed GST returns for March 2019 until 30th April 2019.

4. Deferred Tax:

Deferred tax is not calculated.

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the **Annexure A,** a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

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

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

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

ii. The reports on the account of the branches audited under section 143(8) of the Act by branch auditors except for "HMT Machine Tools Ltd, Directorate" have been sent to us and have been properly dealt with by us in preparing this report.

iii. The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, 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 Units not visited by us.

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

(a) Non-compliance 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 MBX Unit 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/-.

(b) Non-Compliance with Indian Accounting Standard 36 "Impairment of Assets", the company has not carried out Impairment Test even though both Internal and external Indicators are present due to Technological development and effect on the performance of the Asset.

(c) Non-Compliance of Indian Accounting Standard 2 "Valuation of Inventories", the inventories are valued at Cost or Net Realisable Value whichever is lower and the cost is determined through Weighted Average Cost Method however the policy of determining the cost do not comply with IND-AS 2 "Inventories" where it is stated that "The cost of inventories of items that are not ordinarily interchangeable and goods or services provided and segregated for specific projects shall be assigned by using Specific Identification of their individual costs".

(d) The accounting policy stated for the recognition of revenue is based on the Ind AS 18 however with effect from April 1, 2018 Ind AS 18 has been withdrawn and has been replaced with Ind AS 115. The Company's accounting policy on recognizing the revenue has not been changed despite the enactment of the new standard. This results in non-compliance to Section 129 of the Companies Act, 2013. The Impact of such non-compliance on the Loss, Assets and Liabilities could not be ascertained.

(e) **Prior Period Items:** Pinjore Unit has booked interest income of Rs.4.47 lakhs on deposit with Uttar Haryana Bijli Vitran Nigam, which was pertaining to previous year 2017-18 and in Hyderabad Unit it was observed that Rs 17.08 lakhs has been charged to the Statement of Profit/loss for the year ended March 31, 2019 which belongs to previous accounting periods. As per Ind AS-8, "Accounting Policies Changes in Accounting Estimates", it requires retrospective adjustment of prior period errors and omissions by restating the comparative amounts for the prior period presented or where the errors relates to the period(s) before the earliest prior period presented, restating the opening balance of assets, liabilities and equity for that period. As the unit has not retrospectively adjusted the prior period error or omission of Rs.21.55 lakhs, it has not complied with the Accounting standards - Ind AS 8.

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

vi. On the basis of the written representations received from the directors as on 31st March, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.

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

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

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

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

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

ix. As required in accordance with the Directions issued under section 143(5) of the Companies Act, 2013, a report on additional matters is annexed to in **Annexure "C"** to this report.

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

V. Ranganatha Murali
Proprietor
Membership No. 027051

Place: Bangalore
Date : 12.05.2019

"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 2019"

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 or other parties listed in the register maintained under Section 189 of the Companies Act, 2013.

4) According to the information and explanations given to us, the Company has not entered into any transactions attracting the provisions of section 185 and I86 of the Companies Act, 2013 In respect of loans, investments, guarantees, and security.

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

6) Branch Auditors have reviewed the books of accounts relating to material, labour, and other items of cost maintained by the Branch pursuant to the rules made by the Central Government for the maintenance of cost records under section 148 of the Companies Act, 2013 and we are of the opinion that prima facie the prescribed cost records have been made and maintained.

7) a) As observed by us, the **undisputed statutory** dues including provident fund, employees state insurance, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues have not been regularly deposited by the Branch with the appropriate authorities within the due date. According to the information and explanation given to us, the following are the arrears of statutory dues outstanding for a period

of more than six months from the date they became payable, as at the end of the financial year:

Nature of dues	Total Due (Rs. in lakhs)	More than six months (Rs. in lakhs)
Provident Fund, VPF and SPF	8,999.28	8999.28
Pension Contribution	485.66	423.25
Professional Tax	2.65	0.00
Gratuity	8246.34	7013.59
Property Tax	2044.89	2044.89
Excise Duty	361.53	361.53
Goods and Service Tax	1481.64	15.71
Service Tax	2.30	2.30
TDS	21.21	10.60

(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	Service Tax	5.01	2008-12	CESTAT, Ajmer	Ajmer Division
Central Excise Act,1944	Excise Duty	32.31	2011-12	CESTAT, Hyderabad	Hyderabad Division
Gratuity	Gratuity & Interest	13.16	2015-16	Labour Court	Marketing Division
Central Sales Tax Act, 1956	Central Sales Tax	90.11	2007-08	Hon'ble High Court, Kerala	Kalamassery Division
Central Excise Act,1944	Excise Duty	22.34	2012-17	CESTAT, Chandigarh	Pinjore Division
Gratuity	Gratuity & Interest	1204.10	Various Years till 2018-19	Labour Court	Bangalore Complex Division
Earned Leave Encashment	Earned Leave Encashment	62.93	Various Years till 2018-19	Labour Court	Bangalore Complex Division
Settlement Allowance	Settlement Allowance	7.12	2010-16	Labour Court	Bangalore Complex Division
Employees PF	Interest & Damages	1322.80	Not Furnished	Not Furnished	Bangalore Complex Division
Salary Arrears	1992 Arrears	9.93	Not furnished	Not Furnished	Bangalore Complex Division
Salary Arrears	1997 Arrears	1011.43	Not furnished	Not Furnished	Bangalore Complex Division
Not Furnished	Not Furnished	119.00	Not Furnished	Civil Court	Walchand & BMTC, Bangalore Complex Division
BBMP	Property Tax & Interest	3751.00	Various Years from 1999-00 to 2015-16	Hon'ble High Court of Karnataka	Bangalore Complex Division
ESI Act,1948	ESI Contribution	2.58	Not furnished	Not Furnished	Praga Division

8) According to the information and explanation given to us and the records examined by us, the Company has not defaulted in repayment of dues to any banks or financial institutions. However, it has been observed by and informed to us that the Company defaulted payment of loan of Rs. 1,00,792.72 Lakhs lakhs along with Interest of Rs. 56,492.72 lakhs (accrued and due) to the Government of India as on 31.03.2019.

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.

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 2019.

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) This is not a branch of Nidhi Company and hence this clause is not applicable to this Branch.

13) According to the information and explanations given to us and based on our examination of the records of the Company, all transactions with the related parties like fellow subsidiaries and parent company are in compliance with sections177 and 188 of the Companies Act, 2013, where applicable and no separate disclosure of such transactions are required to be made under Indian Accounting standard-24 “Related Party Disclosures” in respect of Government controlled Companies.

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

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

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

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

V. Ranganatha Murali
Proprietor
Membership No. 027051

Place: Bangalore
Date : 12.05.2019

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 ("The Company")** as of March 31, 2019 in conjunction with other (Unit) Auditors' report on financial statements of the Unit for the year ended on that date and our opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting in the case of the Standalone financial statements of the Company, in so far, as it relates to other divisions/units will be based solely on the reports of the Auditors of such divisions/units as of that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls Over Financial Over Financial Reporting

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

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

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

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, considering the branch auditor's report, Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, and however, it can be further strengthened based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

1. According to the information and explanations given to us and based on our audit, the following material weakness has been identified as at March 31, 2019, especially as reported by the Hyderabad unit Auditor:

   i. Books of accounts are not being maintained in all completeness on day to day basis as evidenced from accounting entries being posted upon conclusion of the transactions to an intermediary heads of accounts, intermittent wrong selection of account heads and classification of ledger accounts, delay in recording of sales and purchases in the books of accounts viz a viz the date on which transactions were actually executed.

   ii. Non preparation of Bank Reconciliation statement on a periodic/monthly basis resulting in incorrect or delayed recording of transactions.

   iii. Inappropriate co-ordination among various departments of the Division were noticed resulting in delay/ incomplete recording of transactions.

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

v. Non-Reconciliation and non-confirmation of the trade receivables, trade payables balances, deposits and advances.

vi. Delay in payment and filing of GST returns

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Institute's annual financial statements will not be prevented or detected on a timely basis.

We have considered the material weakness/es identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2019 standalone financial statements of the company, and except for the effects / possible effects of the material weakness/es described above on the achievements of the objectives of the control criteria, the company's internal financial controls over financial reporting were operating effectively as of March 31, 2019 and these material weakness/es does not / do not affect our opinion on the financial statements.

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

V. Ranganatha Murali
Proprietor
Membership No. 027051

Place: Bangalore
Date : 12.05.2019

ANNEXURE - C TO THE INDEPENDENT AUDITOR'S REPORT

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

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

	Directions	Responses
1	Whether the Company has system in place to process all the accountingtransactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with thefinancial implications, if any, may be stated	In our opinion Company does not have system in place to process all the accounting transactions through IT systems, however, the company has adopted standalone PC / Local Area Network at each location for accounting using tally / other software.
2	Whether there is any restructuring of an existing loan or cases of waiver/ write off of debts /loans/ interest etc. made by a lender to the Company due to the Company's inability to repay the loan? If yes, the financial impact may stated	There has been old outstanding GOI loans which has not been repaid or being repaid on an ongoing basis for past several years. We have not been provided with details of any write off/waiver etc and accordingly unable to comment on the financial impact if any.
3	Whether funds received/receivable for specific schemes from central state agencies were properly accounted for/ utilized as per its term and conditions? List the cases of deviation.	The Company has availed Working Capital Loan and Bridge Loan of Rs.348.53 Crores from the Government of India and has applied the same for the purpose for which it was availed.

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

V. Ranganatha Murali
Proprietor
Membership No. 027051

Place: Bangalore
Date : 12.05.2019

ADDENDUM TO DIRECTORS REPORT FOR THE YEAR 2018-19 IN RESPECT OF OBSERVATIONS MADE BY STATUTORY AUDITORS ON THE ACCOUNTS OF HMT MACHINE TOOLS LIMITED FOR THE YEAR ENDED 31ST MARCH 2019

Statutory Auditor's Observations	Company's Reply
1. No provision is made for the liability, if any, towards the interest payable to vendors under Micro, Small and Medium Enterprises Development Act 2006. The impact on non-provision of such interest on the financial statements/ results cannot be quantified due to lack of the required information.	The Company is in the process of collecting details from MSME Vendors. Delay if any is on account of non-submission of details by the MSME Vendors.
2. The accounting policy stated for the recognition of revenue is based on the Ind AS 18 however with effect from April 1, 2018, Ind AS 18 has been withdrawn and has been replaced with Ind AS 115. The Company's accounting policy on recognizing the revenue has not been changed despite the enactment of the new standard. This results in non-compliance to Section 129 of the Companies Act, 2013. The Impact of such non-compliance on the Loss, Assets and Liabilities could not be ascertained.	The Company will follow Ind AS 115 for the FY 2019-20, once the new accounting policy is adopted by Holding Company and after obtaining necessary approval, even though the changes in Accounting Standard will not have any impact on the financials of the Company.
3. As required by IND AS-36 the company has not carried out Impairment Test even though both Internal and external Indicators are present due to Technological development and effect on the performance of the Asset. Intangible Asset not available for use and shown as "Intangible asset under development" of MBX, includes Rs.229.35 lakhs towards SAP software purchased during 2010 and hardware cost of Rs.128.89 lakhs which is disclosed in the balance sheet as capital work-in-progress. The SAP system is not fully customised nor put to use. Impairment test has not been carried out and asset value is carried at cost whereas due to inordinate delay in implementation, the SAP system might have been redundant due to frequent technological development both in hardware and software. Due to non-usage of the system for long period of time, disclosure of capital expenditure without carrying Impairment test as capital Work-In-Progress at cost price, is not Justifiable.	The Management has noted the observation and necessary action will be taken in FY 2019-20.
4. The Unit has not complied from the requirement of Schedule-II of Companies Act, 2013 of depreciating the assets over its useful life and such depreciable amount shall be the cost of assets less its residual value. The company follows the policy of depreciating the Plant and Equipment costing less than Rs.10,000/- to Rs.1/- in the year of Purchase. Due to unavailability of required information impact could not be quantified.	The Company will follow Schedule-II of Companies Act, 2013 for depreciating assets costing less than Rs. 10,000/- also.

Place: Bengaluru
Date: 28th August 2019

(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 2019

The preparation of financial statements of HMT Machine Tools Limited for the year ended 31 March 2019 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act 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 12 May 2019.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of HMT Machine Tools Limited for the year ended on 31 March 2019 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

M. S. Subrahmanyam

(M. S. Subrahmanyam)
Director General of Commercial Audit &
Ex-Officio Member, Audit Board,
Hyderabad

Place: Hyderabad
Date: 27 August 2019

Significant accounting policies for the year ended March 31, 2019

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.

* * * * *

BALANCE SHEET AS AT 31ST MARCH 2019

(Rs. in lakhs)

	Notes No.	As at 31-Mar-2019	As at 31-Mar-2018
ASSETS			
Non-current assets			
Property, plant and equipment	3	3,756.79	4,324.34
Capital work in progress	3	280.79	128.89
Investment Property	4	52.25	52.68
Intangible Assets	5	0.00	0.00
Intangible Assets under development	5	941.21	965.90
Machinery and Equipment's in transit		285.03	0.00
Other Non- Current Assets	10	0.00	0.00
		5,316.06	**5,471.81**
Current assets			
Inventories	6	14,763.99	10,540.83
Financial assets			
Trade Receivables	7	12,140.66	8,899.30
Cash and cash equivalents	8	4,233.67	3,792.59
Others	9	61.30	184.68
Other Current Assets	10	6,468.43	4,698.51
		37,668.05	**28,115.91**
Non Current Assets Held for Sale	3	0.01	0.02
		0.01	**0.02**
TOTAL ASSETS		**42,984.13**	**33,587.74**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	11	27,659.91	27,659.91
Other equity	12	(1,58,174.88)	(1,50,695.27)
Total equity		**(1,30,514.97)**	**(1,23,035.36)**
Non-current liabilities			
Financial liabilities			
Borrowings	13	634.00	5,288.40
Preference Shares	14	0.00	0.00
Provisions			
Provision for Employee Benefits	16	5,986.31	6,536.17
		6,620.31	**11,824.57**

BALANCE SHEET AS AT 31ST MARCH 2019

(Rs. in lakhs)

	Notes No.	As at 31-Mar-2019	As at 31-Mar-2018
Current liabilities			
Financial liabilities			
Borrowings	13	15,604.74	3,264.58
Trade payables	17	7,308.80	5,853.05
Other financial liabilities	18	1,00,792.72	90,366.87
Government Grant	15	0.00	0.00
Other Liabilities	19	36,834.30	39,219.48
Provisions			
Provision for Employee Benefits	16	6,156.34	5,903.46
Others	20	181.89	191.08
		1,66,878.79	**1,44,798.52**
Total liabilities		**1,73,499.10**	**1,56,623.09**
TOTAL EQUITY AND LIABILITIES		**42,984.13**	**33,587.74**

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
Managing Director
DIN 03385073

Neelam S. Kumar
Director
DIN 08220197

Harikumar M.
AGM (Finance)

Om Prakash Singh
Company Secretary

Place : Bengaluru
Date : 12.05.2019

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

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019

(Rs. in lakhs)

	Note No.	Year ended 31-Mar-2019	Year ended 31-Mar-2018
CONTINUING OPERATIONS			
Sale of goods		20,369.70	16,769.48
Rendering of services		1,371.33	938.99
Revenue from operations	21	**21,741.03**	**17,708.47**
Other income	22 A	1,873.47	2,623.39
Interest Income	22 B	167.64	201.82
Total Income		**23,782.14**	**20,533.67**
EXPENSES			
Cost of raw materials consumed	23	8,893.33	7,582.67
(Increase)/ decrease in inventories of finished goods, work-in-progress and traded goods	24	(2,607.13)	(166.00)
Excise duty/GST on goods sold during the year	25	-	825.49
Excise duty on increase/ (decrease) in inventory	26	14.94	425.03
Employee benefits expense	27	11,050.72	13,136.51
Finance costs	29	6,863.39	5,874.39
Depreciation and amortization expense	28	884.01	969.96
Other expenses	30	5,150.43	4,945.01
Less: Jobs Done for Internal Use	31	84.13	134.41
Total expense		**30,165.56**	**33,458.66**
Profit/(loss)before exceptional items and tax from continuing operations		**(6,383.42)**	**(12,924.98)**
Exceptional items		-	-
Profit/(loss)before and tax from continuing operations		**(6,383.42)**	**(12,924.98)**
(1) Current tax		-	-
(2) Deferred tax		-	-
		0.00	0.00
Profit/(Loss) for the year from continuing operations		**(6,383.42)**	**(12,924.98)**
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		**(6,383.42)**	**(12,924.98)**

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019

(Rs. in lakhs)

	Note No.	Year ended 31-Mar-2019	Year ended 31-Mar-2018
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		**0.00**	**0.00**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains (losses) on defined benefit plans		(1,096.49)	382.80
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**(1,096.49)**	**382.80**
		(1,096.49)	**382.80**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(7,479.91)**	**(12,542.18)**
Earnings per share for continuing operations	32		
• Basic, profit from continuing operations attributable to equity holders of the parent		(2.31)	(4.67)
• Diluted, profit from continuing operations attributable to equity holders of the parent		(2.31)	(4.67)
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		(2.31)	(4.67)
• Diluted, profit for the year attributable to equity holders of the parent		(2.31)	(4.67)

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
Managing Director
DIN 03385073

Neelam S. Kumar
Director
DIN 08220197

Harikumar M.
AGM (Finance)

Om Prakash Singh
Company Secretary

Place : Bengaluru
Date : 12.05.2019

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

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

(Rs. in lakhs)

	Year ended 31-Mar-2019	Year ended 31-Mar-2018
Operating activities		
Profit/(Loss) before tax from continuing operations	(6,383.42)	(12,924.99)
Profit/(loss) before tax from discontinued operations		
Profit/(Loss) before tax	**(6,383.42)**	**(12,924.99)**
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and impairment of property, plant and equipment	883.58	956.27
Amortisation of Intangible Assets	-	13.25
Depreciation of investment properties	0.43	0.43
Provision of loss in value of Equity		
Adjustment in Depreciation passed to P/L		
Gain on disposal of property, plant and equipment	(133.85)	(336.28)
Finance income	(167.64)	(201.82)
Finance costs	6,863.39	5,874.39
Prior Period Item		
Working capital adjustments:		
Movements in provisions, gratuity	(1,402.66)	(458.56)
(Increase)/Decrease in trade and other receivables and prepayments	(4,887.90)	(1,744.95)
(Increase)/Decrease in inventories	(4,223.16)	708.69
Increase/(Decrease) in trade and other payables	(929.43)	7,615.24
	(10,380.67)	**(498.32)**
Income tax paid/reversed		
Net cash flows from operating activities	**(10,380.67)**	**(498.32)**
Investing activities		
Proceeds from sale of property, plant and equipment	137.89	341.26
Purchase of property, plant and equipment	(732.00)	(427.51)
Interest received	167.64	201.82
Receipt/(Application) of government grants	0.00	(22.92)
Net cash flows used in investing activities	**(426.48)**	**92.65**

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

(Rs. in lakhs)

	Year ended 31-Mar-2019	Year ended 31-Mar-2018
Financing activities		
Interest Paid	(1,091.93)	(485.27)
Proceeds/(Repayment) from borrowings	12,340.16	(19.47)
Repayment of borrowings		
Redemption of preference Share Capital		
Net cash flows from/(used in) financing activities	**11,248.22**	**(504.74)**
Net increase in cash and cash equivalents	441.08	(910.41)
Net foreign exchange difference		
Cash and cash equivalents at the beginning of the year	3,792.59	4,703.00
Cash and cash equivalents at year end	**4,233.67**	**3,792.59**

For and on behalf of the Board

S. Girish Kumar
Managing Director
DIN 03385073

Neelam S. Kumar
Director
DIN 08220197

Harikumar M.
AGM (Finance)

Om Prakash Singh
Company Secretary

Place : Bengaluru
Date : 12.05.2019

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

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 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)							**(457.21)**
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**	**2,897.84**	**159.55**	**128.89**	**24.31**	**1,035.40**	**8.63**	**40.74**	**31,930.05**
Additions					234.77	0.00	0.00	0.86					151.90		84.13			**471.65**
Assets Held for Disposal																		**-**
Disposal/Adjustment					(532.93)	(4.32)					(1.15)							**(538.40)**
At 31 March 2019	**78.87**	**1,446.72**	**479.84**	**241.34**	**21,214.15**	**521.88**	**487.48**	**1,278.95**	**875.91**	**707.92**	**2,896.69**	**159.55**	**280.79**	**24.31**	**1,119.53**	**8.63**	**40.74**	**31,863.31**
Depreciation and Impairment																		
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**	**28,785.43**
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			**956.34**
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)			-				**(457.73)**
At 31 March 2018	**-**	**1,331.40**	**428.12**	**212.41**	**18,108.54**	**498.41**	**455.29**	**1,243.59**	**853.09**	**641.93**	**2,686.24**	**159.55**	**-**	**24.31**	**784.58**	**8.63**	**40.74**	**27,476.83**
Depreciation charge for the year		8.50	3.22	7.59	570.57	8.96	9.97	7.13	13.27	39.98	102.72				111.67			**883.58**
Adjustments during the year						-	-	-	-	-	-				-			**-**
Deduction/Adjustment					(529.22)	(4.32)	-	-	2.34	-	(3.48)				-			**(534.68)**
Assets Held for Disposal					0.00										-			**0.00**
At 31 March 2019	**-**	**1,339.90**	**431.34**	**220.00**	**18,149.89**	**503.05**	**465.26**	**1,250.72**	**868.69**	**681.91**	**2,785.48**	**159.55**	**-**	**24.31**	**896.25**	**8.63**	**40.74**	**27,825.73**
Net book value																		
At 31 March 2019	**78.87**	**106.82**	**48.50**	**21.34**	**3,064.26**	**18.83**	**22.22**	**28.23**	**7.22**	**26.01**	**111.21**	**-**	**280.79**	**-**	**223.28**	**-**	**-**	**4,037.58**
At 31 March 2018	**78.87**	**115.32**	**51.72**	**28.93**	**3,403.78**	**27.79**	**32.19**	**34.50**	**22.82**	**65.99**	**211.60**	**-**	**128.89**	**-**	**250.82**	**-**	**-**	**4,453.22**

Net book value	**31 Mar.19 INR Lakhs**	**31 Mar.18 INR Lakhs**
Plant Property and Equipment	3,757	4,324
Capital work in progress	281	129
Non Current Assets Held for Sale	0	0

Non Current Assets Held for Sale

(Rs. in lakhs)

NOTES FORMING PART OF BALANCE SHEET		
PARTICULARS	**TOTAL**	
	31-Mar-19	**31-Mar-18**
PLANT AND MACHINERY	0.01	0.02
FACTORY EQUIPMENTS	0.00	0.00
	0.01	**0.02**

NOTES FORMING PART OF BALANCE SHEET

HMT Machine Tools Ltd.

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

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

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

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

5. LAND:

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

5.2 The Company has leased out land admeasuring 2.71 acres to the Kerala Electricity Board and Postal Authorities in Kalamassery. Further, the Company has leased out land admeasuring 5.00 Ha, and 2.50 Ha to M/s Kochi Metro Rail Ltd., for which the lease period has been extended up to 31.07.2017 and 31.12.2018 respectively. Further an additional land of 1.6131 Ha. has been leased out up to 31.12.2018 for stackyard and fabrication purpose. Subsequently both 5 Ha and 1.6131 Ha of land has been surrendered back to Company as on 31.12.2018. The lease agreement for 2.5 Ha of land has been extended upto 31.05.2019.

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 up to 31st August, 2017 and then upto 30.09.2018.

NOTES FORMING PART OF BALANCE SHEET

(Rs. in lakhs)

4. INVESTMENT PROPERTY	Total
Closing balance at 31 March 2018	56.02
Additions	-
Closing balance at 31 March 2019	**56.02**
Depreciation and Impairment	
Closing balance at 31 March 2018	3.34
Depreciation	0.43
Closing balance at 31 March 2019	**3.77**
Net Block	
at 31 March 2018	52.68
at 31 March 2019	52.25

INFORMATION REGARDING INCOME AND EXPENDITURE OF INVESTMENT PROPERTY

	31-Mar-19	31-Mar-18
	INR Lakhs	INR Lakhs
Rental income derived from investment properties	26.09	375.76
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	**26.09**	**375.76**
Less – Depreciation	0.43	0.43
Profit arising from investment properties before indirect expenses	**25.66**	**375.33**

5. INTANGIBLE ASSETS	Intangible Assets	Intangible asset under development	Total
	INR	INR	INR
Cost			
At 31 March 2018	88.36	965.90	1,054.26
Additions/Deletion	-	-24.69	
At 31 March 2019	88.36	941.21	1,029.57
Amortisation and Impairment			
At 31 March 2018	88.36		88.36
Amortisation			
At 31 March 2019	88.36		88.36
Net book value			
At 31 March 2019	0.00	941.21	941.21
At 31 March 2018	0.00	965.90	965.90

Net book value	31-03-2019	31-03-2018
	INR	INR
Intangible assets under development	941.21	965.90
Intangible Assets	0.00	0.00

NOTES FORMING PART OF BALANCE SHEET

(Rs. in lakhs)

		As at 31-Mar-2019	As at 31-Mar-2018
6.	**INVENTORIES**		
	Raw Materials and Components	2,135.31	1,502.54
	Material and Components in Transit	1,162.56	180.67
	Work-in-Progress	6,259.32	4,881.84
	Finished Goods	5,070.85	3,910.74
	Stock in Trade	-	-
	Goods-in-Transit	268.93	410.65
	Stores and Spares	1,111.10	1,034.39
	Tools and Instruments	75.07	80.19
	Scrap	89.00	23.49
		16,172.13	**12,024.52**
	Less: Provision for Non-moving Inventories	1,408.14	1,483.69
		14,763.99	**10,540.83**
7.	**Trade Receivables**		
	Considered good	12,140.66	8,899.30
	Unsecured, considered good	-	-
	Doubtful	5,831.08	5,515.44
		17,971.75	**14,414.74**
	Impairment Allowance (Allowance for bad and doubtful debts)		
	Unsecured, considered doubtful	5,831.08	5,515.44
		12,140.66	**8,899.30**
	Trade Receivables exceeding 6 months from the date they are due for payment	3527.05	1,967.26
	Trade Receivables less than 6 months from the date they are due for payment	8613.61	6,932.04

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

8.	**Cash and Cash equivalents**		
	Balances with banks:		
	– On Current accounts	1,232.24	817.16
	– On Deposits accounts between 3-12 months	2,986.11	2,971.74
	– On Deposits accounts More than 12 months	-	-
	Cash and Cheques on hand	15.32	3.69
		4,233.67	**3,792.59**

NOTES FORMING PART OF BALANCE SHEET

(Rs. in lakhs)

		As at 31-Mar-2019	As at 31-Mar-2018
9.	**Other Financial Assets**		
	Interest Accrued and Due	61.30	65.39
	With Scheduled Banks in Deposit Account - Margin Money	-	119.29
	Total	**61.30**	**184.68**
10.	**Other Assets**		
	Non-Current		
	Capital Advances	1.97	1.97
	Less: Provision for Doubtful Advances	(1.97)	(1.97)
		-	**-**
	Current		
	Advances to employees	0.08	-
	Vehicle Advance	0.54	0.54
	Less: Provision for Doubtful Loans and Advances	(0.54)	(0.54)
	HMT Ltd	478.76	551.23
	HMT Watches Ltd	25.02	32.98
	HMT International Ltd.	1,696.62	93.25
	HMT Chinar Watches Ltd	-	-
	HMT Bearings Ltd	39.60	39.60
		2,240.07	**717.05**
	Advances other than Capital Advances		
	Advances recoverable in cash or in kind	296.35	363.20
	Advance to Suppliers/Employees Including Advance No. III	108.91	11.35
	Considered Good	3,287.38	3,011.32
	Considered Doubtful	582.43	580.50
		4,275.07	**3,966.37**
	Less:Provision for Doubtful Advances	582.43	580.50
		3,692.64	**3,385.87**
	Prepaid Expenses	12.93	19.14
	Withholding of taxes and other tax receivables*	108.81	177.59
	Security Deposits	413.98	398.86
		535.71	**595.59**
	Total Other Assets	**6,468.43**	**4,698.51**

*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 2019

11. Share capital

Authorised share capital

	Equity Shares	
	Number	**Amount**
At 1 April 2018	35,50,00,000	35,500.00
Increase/(decrease) during the year	0	0.00
At 31 March 2019	**35,50,00,000**	**35,500.00**

Issued Capital

	Equity shares of INR 10 each issued and fully paid	
	Number	**Amount**
At 1 April 2018	**27,65,99,137**	**27,659.91**
Increase/(decrease) during the year	**0**	0.00
At 31 March 2019	**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 2019		As at 31 March 2018	
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	100%	27,65,99,137	100%

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019

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 2018	27,65,99,137	27,660
Changes in equity share capital during the year		
At 31 March 2019	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 2017 Change in Accounting Policy or Prior Period Error	2,271	(1,36,194)	0	(4,230)	(1,38,153)
Restated Balance as of 1st April 2017	**2,271**	**(1,36,194)**	**0**	**(4,230)**	**(1,38,153)**
Remeasurement of the net defined benefit liability/asset, net of tax effect				383	383
Profit for the period		(12,925)			(12,925)
At 31 March 2018	**2,271**	**(1,49,119)**	**0**	**(3,847)**	**(1,50,695)**

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 2018	2,271	(1,49,119)	-	(3,847)	(1,50,695)
Change in Accounting Policy or Prior Period Error					-
Restated Balance as of 1st April 2018	**2,271**	**(1,49,119)**	**-**	**(3,847)**	**(1,50,695)**
Remeasurement of the net defined benefit liability/asset, net of tax effect				(1,096)	(1,096)
Profit for the period		(6,383)			(6,383)
At 31 March 2019	**2,271**	**(1,55,502)**	**-**	**(4,944)**	**(1,58,175)**

For and on behalf of the Board

S. Girish Kumar
Managing Director
DIN 03385073

Neelam S. Kumar
Director
DIN 08220197

Harikumar M.
AGM (Finance)

Om Prakash Singh
Company Secretary

Place : Bengaluru
Date : 12.05.2019

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

NOTES FORMING PART OF BALANCE SHEET

(Rs. in lakhs)

		As at 31-Mar-2019	As at 31-Mar-2018
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
	Term Loan carrying rate of interest @ 13.50% (Working capital) for a period of 5 years	-	1,526.18
	Term Loan carrying rate of interest @ 7% (Bridge Loan - 1997 pay Scales) for a period of 5 years	634.00	1,828.62
	Total Non-current borrowings	**634.00**	**5,288.40**
	Current		
	Secured		
	Cash Credit	1,857.44	3,101.04
	Loan from holding company	13,747.30	163.54
	Net Current borrowings	**15,604.74**	**3,264.58**
	Aggregate Secured loans	1,857.44	3,101.04
	Aggregate Unsecured loans	14,381.30	5,451.94

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.

		As at 31-Mar-2019	As at 31-Mar-2018
14.	**PREFERENCE SHARE CAPITAL**		
	Preference Share Capital	-	-
	Total	**-**	**-**
15.	**GOVT. GRANTS**		
	Received during the year	-	-
		-	**-**
16.	**PROVISION FOR EMPLOYEE BENEFITS**		
	Non Current		
	Gratuity	4,433.57	4,689.62
	Earned Leave Encashment	1,335.37	1,581.15
	Settlement Allowance	217.37	265.40
		5,986.31	**6,536.17**

NOTES FORMING PART OF BALANCE SHEET

(Rs. in lakhs)

		As at 31-Mar-2019	As at 31-Mar-2018
	Current		
	Gratuity	2,452.29	2,162.63
	Earned Leave Encashment	679.46	667.32
	Settlement Allowance	119.52	121.51
	Wage and Salary Revision (1992)	2,905.07	2,951.99
		6,156.34	**5,903.46**
	Total	**12,142.65**	**12,439.63**
17.	**Trade payables**		
	Acceptances	795.41	70.56
	Dues towards Goods purchased	6,413.84	5,675.27
	Dues to Micro, Small & Medium Enterprises	99.55	107.22
	Total	**7,308.80**	**5,853.05**
18.	**Other Financial Liabilities**		
	Current maturities of long-term Debts	4,654.40	5,046.40
	4,43,00,000 3.5% Redeemable Preference Shares of Rs.100/- each (Defaulted)	44,300.00	44,300.00
	Term Loan for a period of 5 Yrs. (Statutory Dues 2006-07) carrying rate of interest @ 15.50%	6,354.22	5,443.82
	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%	8,564.79	7,149.59
	Term Loan for a period of 5 Yrs. (Working Capital) carrying rate of interest @ 13.50%)	4,391.37	4,500.00
	Term Loan for a period of 5 Yrs. (Bridge Loan-1997 pay scales) carrying rate of interest @ 7.00%)	5,857.83	3,028.40
	Interest accrued and due on borrowings		
	Loans from Government of India	20,434.34	14,588.53
	Interest accrued but not due on borrowings		
	Government of India Loan	1,839.59	1,913.94
	Total	**1,00,792.72**	**90,366.87**

NOTES FORMING PART OF BALANCE SHEET

(Rs. in lakhs)

		As at 31-Mar-2019	As at 31-Mar-2018
19.	**Other Liabilities**		
	Non Current		
	Security deposit - OBS	-	-
	Current		
	- Machine Tools Bangalore Complex (MBX)	20,342.78	20,584.95
	- Machine Tools Division, Pinjore (MTP)	15,543.21	18,000.10
	- Machine Tools Division, Kalamassary (MTK)	1,670.94	3,143.85
	- Machine Tools Division, Hyderabad (MTH)	17,316.03	17,885.74
	- HMT Praga Tools, Hyderabad (PTH)	9,747.06	5,596.48
	- Machine Tools Division, Ajmer (MTA)	4,163.37	9,466.97
	- Machine Tools Marketing Division, Bangalore (MTMD)	3,069.73	3,518.90
	- Machine Tools Directorate , Bangalore (MTD)	-71,784.41	-78,128.28
	- Machine Tools Directorate , Bangalore (MTD)-Res & Surp (Dep)	-68.72	-68.72
	Dues to Holding Company and its subsidiaries		
	HMT Ltd	1,258.07	1,283.03
	HMT Watches Ltd	122.64	110.94
	HMT Chinar Watches Ltd	181.85	181.85
	HMT (International) Ltd	148.87	259.87
	HMT Bearings Ltd	1,571.52	1,463.72
	EMD Deposit Received	82.97	10.79
	Revenue received in advance	5,592.82	6,294.23
	Sundry Creditors- Dues	3,459.34	3,058.42
	Other Liabilities	24,416.23	26,556.63
	Total	**36,834.30**	**39,219.48**

20. PROVISIONS & OTHERS	**Warranty Claims**	**Provision for pay / wage revision**	**Total**
At 1 April 2018	**80.94**	**110.14**	**191.08**
Arising during the year	66.90	**0.25**	
Utilised	(35.37)	(0.27)	
Unused amounts reversed	(40.71)	**-**	
At 31 March 2019	**71.76**	**110.13**	**181.89**
Current	71.76	110.13	181.89
At 1 April 2017	**67.33**	**109.95**	**177.28**
Arising during the year	53.09	0.54	
Utilised	(15.04)	(0.35)	
Unused amounts reversed	(24.44)	-	
At 31 March 2018	**80.94**	**110.14**	**191.08**
Current	80.94	110.14	191.08
Non-current			

NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(Rs. in lakhs)

		As at 31-Mar-2019	As at 31-Mar-2018
21.	**Revenue from Operations**		
	Sale of Products		
	Sale of Machine Tools	19,550.20	16,353.30
	Sales of Accessories	819.50	416.19
	Less: Sales returns	-	0.00
		20,369.70	**16,769.48**
	Sale of Services		
	Sundry Jobs and Miscellaneous Sales	990.89	565.33
	Packing / Forwarding charges	87.87	71.27
	Sale of services	292.57	302.38
		1,371.33	**938.99**
	Revenue from Operations	**21,741.03**	**17,708.47**
22.	**Other income**		
	A. Other Income		
	Recoveries from Staff/Others	147.57	144.36
	Royalties from Subsidiaries	-	-
	Interest Income	19.29	4.54
	Rent Received	541.60	831.47
	Conveyance Recovered	0.00	0.04
	Water Charges Recovered	0.31	0.35
	Electricity Charges Recovered	7.83	8.40
	Miscellaneous Income	692.47	744.14
	Gains on Sale of Property, Plant and Equipment	137.89	336.28
	Provisions Withdrawn	216.36	443.48
	Govt.Grant	-	22.92
	Charges recovered	-	-
	Sale of scrap	42.20	64.00
	Training expenses recovered	22.28	17.89
	Creditors Wrtitten off	45.67	5.52
	Total (A)	**1,873.47**	**2,623.39**
	B. Interest Income		
	Interest income on Bank Deposits	162.81	191.56
	Interest from Dealers/Others	4.82	10.25
	Interest Income - Others	-	-
	Total (B)	**167.64**	**201.82**
	Total Other Income (A+B)	**2,041.11**	**2,825.21**

NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(Rs. in lakhs)

		As at 31-Mar-2019	As at 31-Mar-2018
23.	**Cost of Raw Materials Consumed**		
	Raw materials and Components		
	Inventory at the beginning of the year	1,502.54	1,490.14
	Add: Purchases	6,488.07	4,716.87
		7,990.61	**6,207.01**
	Add/(Less): Inter Factory Transfer	90.92	135.36
	Less: Inventory at the end of the year	2,135.31	1,502.54
	Cost of Raw material and Components consumed	**5,764.38**	**4,569.10**
	Consumption of Stores, Spares, Tools & Packing Materials	3,128.95	3,013.57
	Total Raw materials and Components consumed	**8,893.33**	**7,582.67**
	Particulars of Materials Consumed		
	Steel	-	-
	Non-ferrous Metals	-	-
	Ferrous Castings	-	-
	Non-ferrous Castings	-	-
	Less : Inter Unit Transfer	-	-
	Total	**-**	**-**
24.	**Changes in Inventory**		
	Finished Goods		
	Inventory at the beginning of the year	3,895.80	3,516.85
	Less: inventory at the end of the year	5,070.85	3,895.80
	Changes in Inventory	(1,175.05)	(378.94)
	Work in Progress		
	Inventory at the beginning of the year	4,881.84	4,626.11
	Less: Inventory at the end of the year	6,259.32	4,881.84
	Changes in Inventory	(1,377.48)	(255.73)
	Stock in Trade		
	Inventory at the beginning of the year	-	-
	Less: Inventory at the end of the year	-	-
	Changes in Inventory	-	-

NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(Rs. in lakhs)

		As at 31-Mar-2019	As at 31-Mar-2018
	Goods In Transit		
	Inventory at the beginning of the year	279.84	756.06
	Less: Inventory at the end of the year	268.93	279.84
	Changes in Inventory	10.90	476.22
	Scrap		
	Inventory at the beginning of the year	23.49	15.95
	Less: Inventory at the end of the year	89.00	23.49
	Changes in Inventory	(65.51)	-7.54
	Total	**(2,607.13)**	**-166.00**
25.	**Excise Duty on Sale of Finished Goods**		
	Excise duty on sale of goods	-	825.49
		-	**825.49**
26.	**Changes in Excise Duty on Finished Goods**		
	Excise Duty on Opening Inventory	14.94	439.97
	Excise Duty on Closing Inventory	-	14.94
		14.94	**425.03**
27.	**Employee benefits expenses**		
	Salaries,Wages and Bonus	7,285.59	7,920.83
	House Rent Allowance	345.70	415.20
	Gratuity	1,041.22	2,182.82
	Contribution to PF & FPS	709.41	799.63
	Deposit Linked Insurance	61.68	50.56
	Contribution to ESI	18.40	23.56
	Welfare Expenses	1,588.72	1,743.92
		11,050.72	**13,136.51**
28.	**Depreciation and Amortization**		
	Depreciation of Property, Plant and Equipment	883.58	956.27
	Amortization of Intangible assets	-	13.25
	Depreciation on Investment Properties	0.43	0.43
		884.01	**969.96**

NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(Rs. in lakhs)

		As at 31-Mar-2019	As at 31-Mar-2018
29.	**Finance costs**		
	Government of India Loans	5,771.45	5,389.12
	Cash Credit loans from Banks	402.92	460.78
	Loans from Bank	-	-
	Interst on Inter Corporate Loan	673.29	8.76
	Interest on Bonds	15.72	15.72
	Others	-	-
	Other Borrowing Cost		
	Finance Charges	-	-
	Discounting Charges	-	-
	Total Finance costs	**6,863.39**	**5,874.39**
30.	**Other expenses**		
	Manufacturing Expenses		
	Power and Fuel	891.99	1,012.01
	Excise Duty	-	-136.07
	Guest House Expenses	0.92	0.55
	Provision for Non Moving Inventories	31.50	87.91
	Selling & Distribution Expenses	-	-
	Rebate on Sales	-	-
	Advertisement and Publicity	23.30	8.44
	Carriage outwards	5.35	0.00
	Establishment Expenses	-	-
	Rent	33.35	27.98
	Rates and Taxes	107.86	155.04
	Insurance	17.31	23.42
	Service Charges Paid	116.92	105.00
	Training Expenses - Skill Development	0.06	4.12
	Water and Electricity	216.26	169.40
	Repairs to building	36.40	45.49
	Repairs to machinery	68.23	63.05
	Printing and Stationery	36.19	25.41
	Conference , Seminars and Training	2.89	2.63
	Arrears of Contract Labour	-	-
	Auditors Remuneration #	7.08	6.16
	Provision of loss in value of Equity	-	-
	Provision for Doubtful Debts,Loans and Advances	399.46	481.70

NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(Rs. in lakhs)

	As at 31-Mar-2019	As at 31-Mar-2018
Provision for Contingencies	-	-
Warranty claims	55.78	51.59
Loss on sale of property, Plant and Equipment	-	-
Loss sustained by PF Trust	-	-
Bad Debts / Advances written off	-	-
Interest on delayed payment of statutory dues	6.40	-
Charges paid	-	-
Travelling Expenses	159.19	182.48
Amortisation of Special Tools	-	-
Exchange Difference	(18.96)	49.35
Interest On Others	129.80	170.48
Bank Charges	149.36	120.08
Interest on delayed remittance	252.54	404.32
Remb of Exp - Holding Company	12.37	49.36
Other Expenses	2,408.89	1,835.10
	5,150.43	**4,945.01**
For Statutory auditor	4.53	4.20
For taxation matters	1.19	0.97
Cost audit fee and expenses	1.36	0.99
	7.08	**6.16**
31. Jobs Done for Internal Use		
Shop manufactured Special Tools	84.13	134.41
	84.13	**134.41**

NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(Rs. in lakhs)

	31-Mar-2019 INR Lakhs	31-Mar-2018 INR Lakhs
32. Earnings per share (EPS)		
Profit attributable to equity holders:		
Continuing operations	₹ (6,383.42)	₹ (12,924.99)
Discontinued operation		
Profit attributable to equity holders for basic earnings	**₹ (6,383.42)**	₹ (12,924.99)
Interest on convertible preference shares		
Profit attributable to equity holders of the parent adjusted for the effect of dilution	**₹ (6,383.42)**	₹ (12,924.99)
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	**₹ (2.31)**	₹ (4.67)
Diluted, profit from continuing operations attributable to equity holders of the parent	**₹ (2.31)**	₹ (4.67)

* 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.

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

	31-Mar-19 %	31-Mar-18 %
Discount rate:		
Gratuity plan	7.25	7.53
Settlement Allowance	7.25	7.53
Earned Leave Encashment	7.25	7.53
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 2019	**31 Mar 2018**	**31 Mar 2019**	**31 Mar 2018**	**31 Mar 2019**	**31 Mar 2018**
Mortality Rate (as % of IALM (2006-08) (Mod.) Ult. Mortality Table)	100%	100%	100%	100%	100%	100%
Disability Rate (as % of above mortality rate)	5%	5%	5%	5%	0%	0%
Withdrawal Rate	1% to 3%	1% to 3%	1% to 3%	1% to 3%		
Attrition Rate					1% to 3%	1% to 3%
Normal Retirement Age	58yrs	58yrs	58yrs	58yrs	58yrs	58yrs
Average Future Service	8.98	8.22	8.98	8.22		
Leave Encashment Rate during employment					1% to 3%	1% to 3%
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 2019 changes in the defined benefit obligation and fair value of plan assets

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

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)**

B Earned Leave Encashment :

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

		Defined Benefit cost charged to profit or loss			Remeasurement gains/(losses) in other comprehensive income							
	01-Apr-18	Service Cost	Net interest expense	Sub-total included in profit / loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31-Mar-19
	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	(2,248.47)	(165.50)	(150.42)	(315.92)	430.87		1.17	-16.59	134.11	118.69		(2,014.83)
Fair Value of plan assets												
Benefit Liability	**(2,248.47)**			**(315.92)**	**430.87**		**1.17**	**(16.59)**	**134.11**	**118.69**	**0.00**	**(2,014.83)**

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)**

C Settlement Allowance :

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

		Defined Benefit cost charged to profit or loss			Remeasurement gains/(losses) in other comprehensive income						
	01-Apr-18	Service Cost	Net interest expense	Sub-total included in profit / loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31-Mar-19
	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	(386.91)	(33.65)	(24.56)	(58.21)	138.10		0.27	-2.69	(27.44)	(29.86)		(336.88)
Fair Value of plan assets												
Benefit Liability	**(386.91)**	**(33.65)**	**(24.56)**	**(58.21)**	**138.10**		**0.27**	**(2.69)**	**(27.44)**	**(29.86)**		**(336.88)**

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)**

NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

Sensitivity analysis:

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

i) Gratuity (Rs. In lakhs)

Particulars	As at 31 March 2019		As at 31 March 2018	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	329.41	289.88	371.51	341.04
Change in rate of salary increase	244.00	268.02	283.84	314.87
Change in withdrawal rates	27.01	33.85	29.02	34.89

ii) Settlement Allowance (Rs. In lakhs)

Particulars	As at 31 March 2019		As at 31 March 2018	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	16.84	15.41	19.16	17.69
Change in rate of salary increase	14.64	16.26	16.71	18.68
Change in withdrawal rates	1.00	0.73	1.01	0.83

iii) Earned Leave Encashment (Rs. In lakhs)

Particulars	As at 31 March 2019		As at 31 March 2018	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	84.33	78.90	94.09	88.28
Change in rate of salary increase	77.10	81.83	87.50	90.28
Change in Attrition Rates	3.41	1.92	3.61	2.08

Segment reporting

(Rs. in lakhs)

	Year ended 31-Mar-19	Year ended 31-Mar-18
Revenue from external customers	**INR Lakhs**	**INR Lakhs**
India	**2,348.22**	4,691.00
Outside India		
Total revenue per consolidated statement of profit or loss	**2,348.22**	**4,691.00**

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

Revenue from one customer amounted to 2,348.22 Lakhs which is exceeding 10% of the revenue from operations for the year ended 31st March 2019.

Revenue from one customer amounted to 4,691.00 Lakhs which is exceeding 10% of the revenue from operations for the year ended 31st March 2018.

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	3,445.49
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.	138.64
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.	16.19
Suppliers Claim	Disputed claims relating to supply of Material, its payment	124.75
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	1,702.25
	Total	7,260.25

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 2019

(Rs. in lakhs)

		As at 31-3-2019	As at 31-3-2018
6.0	Claims against the Company not acknowledged as debts		
	A. Tax related claims pending in appeal		
	i) Excise Duty	59.66	204.41
	ii) Sales Tax	90.11	90.11
	iii) Property Tax	6706.38	5959.17
	iv) Disputed Income-Tax		
	B. Employee related claims relating to Lockouts, Back wages, Incentive & Annual bonus, etc., pending adjudication, to the extent ascertainable	466.22	402.02
	C. Others (As shown in Annexure -A)	7260.25	6751.66
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	Non receipt of related Forms against levy of concessional Sales Tax	282.69	416.05
6.3	Estimated amount of contracts remaining to be executed on capital account and not provided for	1128.00	757.15
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.	-	-
7.1	Include usable slow/non moving and surplus stores and materials / Work in Progress and Stock in Trade.	681.57	742.17
8	**Trade Receivables include:**		
8.1	Dues towards erection and commissioning for a period exceeding one year.	304.66	210.60
9	**Advance include:**		
9.1	Amounts recoverable from employees advances, bonus, etc., pending adjudication /negotiations	2.81	2.82
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.	1581.48	1611.82

NOTES FORMING PART OF FINANCIAL STATEMENT AS AT 31ST MARCH 2019

(Rs. in lakhs)

		As at 31-3-2019	As at 31-3-2018
10	**Current Liabilities:**		
10.1	Dues to Micro and Small Enterprises based on the information available with the Company.		
	a) (i) Principal	99.54	107.22
	(ii) Interest	26.79	25.89
	b) Amount of interest paid	0.07	0.01
	c) Amount of interest accrued and remaining unpaid at the end of each accounting year	58.60	56.45
11	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:		
12	Sales are 'net' of sales returns		
	- Sales returns for the year	-	-
13	Value of Special Tools individually costing less than Rs.750/- written off during the year. during the year.	-	-
14	Expenditure on Research & Development	153.19	173.09
15	Individual item under Misc. Income exceeds 1% of the Turnover of the Company and hence shown separately in Annexure 1.	688.91	573.82
16	Previous year's figures have been reclassified wherever necessary to conform to this year's classification.		
17	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 2019

(Rs. in lakhs)

	Unit	Qty.	Value	Unit	Qty.	Value
			Year ended 31-3-2019			Year ended 31-3-2018
1 CONSUMPTION OF RAW MATERIALS AND COMPONENTS						
Steel	MT	771.60	643.14	MT	939.17	680.92
Non-ferrous Metals	MT	0.45	4.27	MT	0.17	0.78
Ferrous Castings	MT	840.64	626.50	MT	807.42	725.38
Non-ferrous Castings	MT	40.66	21.25	MT	36.88	21.53
Forgings	MT	45.21	51.54	MT	30.08	27.02
Standard Parts			2768.34			2516.76
Components			1436.67			489.87
Others			212.67			106.84
			5764.38			**4569.10**

2 TURNOVER	**Unit**	**Qty.**	**Value**	**Unit**	**Qty.**	**Value**
Machine Tools	Nos.	313	16950.59	Nos.	243	13534.54
Die-casting and Plastic machinery	Nos.			Nos.		
Presses	Nos.			Nos.	2	541.62
Printing Machines	Nos.	9	285.38	Nos.	8	250.29
Cutter & Grinder	Nos.	78	839.22	Nos.	46	483.39
Thread Rolling Machines	Nos.	5	41.58	Nos.	8	126.90
CNC Lathe						1375.33
Sale of Services			173.97			226.85
Accessories			1649.59			215.60
Sundry Jobs and Misce. Sales			1627.70			737.15
Packing, forwarding & Other charges			173.00			216.80
			21741.03			**17708.47**

Additional Disclosure to P & L Account

(Rs. in lakhs)

Point No.	Particulars			As at 31-3-2019		As at 31-3-2018
3	INFORMATION REGARDING IMPORTS, EXPENDITURE AND EARNINGS IN FOREIGN CURRENCY/ EXHANGE AND CONSUMPTION					
	(a)	CIF VALUE OF IMPORTS:				
		Raw Materials		480.02		578.89
		Components and Spare Parts		1542.43		1325.70
		Capital Goods		5.18		13.59
	(b)	EXPENDITURE IN FOREIGN CURRENCY ON ACCOUNT OF TRAVELLING EXPNS. (ON PAYMENT BASIS)		3.39		-
	(c)	CONSUMPTION OF RAW MATERIALS, COMPONENTS, STORES & SPARE PARTS				
		Imported	21%	1909.96	26%	1952.62
		Indigenous	79%	6983.37	74%	5630.05
			100%	**8893.33**	**100%**	**7582.67**
	(d)	EARNINGS IN FOREIGN EXCHANGE				
		EXPORTS		237.55		50.09
		Routed through HMT(International) Ltd.,				
		OTHERS		-		-