HMT WATCHES LIMITED

CONTENTS

BOARD OF DIRECTORS

Shri S. Girish Kumar	Chairman
Shri V. P. Singh	Director
Shri B. M. Shivashankar	Managing Director I/C (upto 31-10-2017)

STATUTORY AUDITORS

For Gowthama & Co.
Chartered Accountants
Bangalore

REGISTERED OFFICE

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

PERFORMANCE HIGHLIGHTS

(₹ in Lakhs)

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
OPERATING STATISTICS										
Sales	729	490	844	812	1106	1024	882	1054	1352	1514
Other Income *	414	179	172	248	180	975	790	1087	371	618
Materials	0	12	285	516	200	353	253	434	357	551
Employee Costs	1210	4798	5749	5089	5884	7406	12503	5599	5343	5426
Other Costs	3201	802	1275	771	1572	873	1379	1539	1995	1952
Depreciation	0	49	53	43	54	83	92	109	123	155
Earnings before Interest	-3268	-4992	-6346	-5359	-6424	-6716	-12576	-5774	-6401	-5816
Interest	174	1732	19574	17948	17823	15688	12798	11061	9982	8864
Earnings/(Loss) before Tax	-3442	-6724	-25920	-23307	-24247	-22404	-25374	-16835	-16383	-14680
Taxation	0	0	0	0		-	-	-	-22	15
Net Earnings	-3442	-6724	-25920	-23307	-24247	-22404	-25374	-16835	-16405	-14695
FINANCIAL POSITION										
Net Fixed Assets	5	5	722	842	886	939	1021	1135	1243	1337
Current Assets	7716	29548	6453	4575	5385	5278	5284	5772	6448	7769
Current Liabilities & Provisions	287180	291592	21523	18496	18692	18788	25338	22875	21318	20106
Working Capital	-279464	-262044	-15070	-13921	-13307	-13510	-20054	-17103	-14870	-12338
Capital Employed	-279459	-262039	-14348	-13079	-12421	-12571	-19033	-15968	-13627	-11001
Investments	-	-	-	-	-	-	-	-	1	1
Miscellaneous Expenditure	-	-	-	-	-	-	-		-	63
Borrowings	0	0	236437	211718	188884	158915	135581	113273	98780	85064
Net Worth	-279459	-262039	-250561	-224573	-201266	-177000	-154614	-129240	-112405	-96063
OTHER STATISTICS										
Capital Expenditure	0	0	0	0	0	0	0	0	27	195
Internal Resources Generated	-3442	-6675	-25867	-23264	-24193	-22321	-25282	-16726	-16282	-14540
Working Capital Turnover Ratio	0.00	0.00	-0.06	-0.06	-0.08	-0.08	-0.04	-0.06	-0.09	-0.12
Current Ratio	0.03	0.10	0.30	0.25	0.29	0.28	0.21	0.25	0.30	0.39
Return on Capital(%)	-1.21	-3.61	-46.28	-42.03	-51.41	-42.50	-71.86	-39.02	-51.98	-63.41
Employees (Nos)	640	640	1005	1055	1105	1219	1417	1976	2050	2126
Per Capita Sales	1.14	0.77	0.84	0.77	1.00	0.84	0.62	0.53	0.66	0.71

*** Includes Extra Ordinary Items**

DIRECTORS' REPORT

To
The Members,
HMT Watches Limited, Bangalore.

The Board of Directors have pleasure in presenting the 18th Annual Report on the business and operations of your Company and Annual Financial Statements of the Company for the financial year 2016-17 along with Auditors' Report thereon. The Comments of the Comptroller & Auditor General of India are attached to this Report.

PERFORMANCE

During the year 2016-17 , the company discontinues the operations

OPERATING RESULTS

The operations of your Company, being the eighteenth financial year after restructuring of HMT Limited, the Holding Company, vide which separate subsidiaries were formed including HMT Watches Ltd. The company incurred a net loss of Rs.174.20 Crore during the year. The financial highlights are as follows

Financial summary/Performance of the Company

<u>FINANCIAL HIGHLIGHTS</u>

(₹ in Crore)

Gross Profit/(Loss)	(172.47)
Interest	1.73
Net Profit/(Loss)	(174.20)
Cumulative Profit/Loss	(2801.08)

In view of the losses incurred during the year, your Directors are not in a position to recommend any Dividend for the year 2016-17. Your Directors have considered and drawn up the accounts for the year ended March 31, 2017, on a going concern basis in spite of the negative Net Worth as on that date.

SHARE CAPITAL

The Authorised Share Capital of the Company is Rs.7,00,00,000/- divided into 70,00,000 Equity Shares of Rs. 10/- each. Issued, Subscribed and Paid-up Share Capital of your Company stood at Rs. 6,49,01,000/- divided into 64,90,100 Equity Shares of Rs.10/- each fully paid-up. All shares are held by HMT Limited, the Holding Company.

NET WORTH

The net worth of the Company as on 31-3-2017 is Rs (2794.59) cr

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.

Present Status

DHI informed vide letter dated 13th Jan 201 that, the Closure of HMT Watches Limited and to relieve all the employees of the Company on VRS/VSS and by retrenchment under industrial Dispute Act of 1947 to those not opting for VRS/ VSS. The Company announced VRS vide Office order dated 20-01-2016. The company relieved 813 employees and retrenched 2 employees , remaining 146 employees are not opted for VRS out of 961 employees.

THE YEAR AHEAD

The Company has to be closed by relieving all the Employees by VRS/VSS or retrenchment.

The movable assets would either be auctioned or transferred to holding company or Central Govt. or its entities/PSUs only.

Particulars of Employees

The total number of employees as on March 31, 2017 stood at 146 as compared to 640, as at the end of the previous year.

The number of employees on the rolls of the Company as on March 31, 2017 in SC / ST, Ex-servicemen and Physically Handicapped categories are as follows:

Scheduled Castes	27
Scheduled Tribes	4
Ex-Servicemen	-
Physically Handicapped	2
Others	113

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.

EMPLOYEE RELATIONS

Industrial Relations situation in the Company during the year remained cordial despite the difficulties faced during the year on account of untimely payment of salaries and wages to the employees by various Units.

Board Meetings

During the year Six Board Meetings were convened and held the details of which are given in the Corporate Governance Report. The intervening gap between the Meeting was within the period prescribed under the Companies Act, 2013.

AUDITORS

M/s.GOWTHAMA & Company, Bangalore, Chartered Accountants, Bangalore were appointed by the C&AG as Statutory Auditors of the Company for the financial year 2016-17

Replies to the observations by the Auditors in their Report are given by way of an Addendum to this Report. The replies to the Comments by the Comptroller and Auditor General of India on the Accounts are given separately.

Auditors' Report

The Statutory Auditors have submitted Independent Auditor's Report along with Addendum to Independent Auditor's Report for the year 2016-17. Comments by the Comptroller & Auditor General of India on the accounts for the year are given separately.

VIGILANCE ACTIVITIES

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

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has in place adequate systems of Internal control commensurate with its size and nature of its operations.The salient features of internal control systems 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.

Compliance with laws and regulations.

Implementation of Official Language

Your Company continued to pursue its efforts in the implementation of the Official Language Policy of the Government. Towards this end, cash awards have been given to employees on passing various Hindi examinations.

Information Regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Pursuant to Section 134(3)(m) of the Companies Act 2013 read with rules 8 of Companies (Accounts) Rules, 2014 are Annexed to this Report.

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 31.03.2016, 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 statement of profit and loss of the Company for the year ended on that date;
- ✓ that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- ✓ that the annual financial statements have been prepared on a going concern basis;
- ✓ that proper internal financial controls were in place and are adequate and were operating effectively;
- ✓ that proper systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively;
- ✓ Since the overall performance of the Company is evaluated against the annual MoU targets set by the Department of Public Enterprises (DPE), no specific criteria is laid down for the evaluation of Board and of its Committees and the individual Directors. Since your Company being a Central Public Sector Enterprise (CPSE), the personnel policies and guidelines issued by DPE are being adopted in line with other CPSEs Accordingly, your Company has not formulated any separate policy in respect of appointment or evaluation of senior management and key managerial personnel.

Directors and Key Managerial personnel

Shri S. Girish Kumar Chairman & Managing Director HMT Ltd. continued as Director and Chairman of the company.

Shri B.M.Shivashankar was entrusted with additional charge of Managing Director.

ACKNOWLEDGEMENTS

The Directors are thankful to HMT Limited, the Holding Company, the various Departments and Ministries in the Government of India, particularly the Department of Heavy Industry, 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, and valued customers of the Company both in India and abroad for their continued co-operation and patronage.

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

For and on behalf of the Board of Directors,

Place : Bangalore
Date : 29-7-2017

Chairman

CORPORATE GOVERNANCE

In compliance with the Guidelines on Corporate Governance for Central Public Enterprises, framed by the Department of public Enterprises, GOI as applicable to Government Companies and as per the applicable provisions of Section 133 of the Act read with Rule 3 of the companies (Indian accounting standards) Rules ,2015 and companies (Indian accounting standards) Amendment Rules, 2016 and your Company hereby submit the report on Corporate Governance .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 March 31, 2017, the Board of Directors comprised of Chairman, Managing Director and one (1) Part-time Official Directors. Currently the position of part-time Non Official (Independent) Directors are vacant.

The day-to-day Management of the Company is conducted by the Managing Director and under the supervision and control of the Board of Directors.

During the year 2016-17, Five Board Meetings were held on 22nd June 2016, 21st July 2016, 29th September 2016, 30th January 2017 and 31st March 2017

The compositions of Directors and their attendance at the Board Meetings and at other Meetings during the year are:

Name	Category	Attendance particulars		No. of other Directorships and Committee Member /Chairmanship held		
		Board Meetings	General Meeting	Director ship	Committee	
					Membership	Chairmanship
S. Girish Kumar	Chairman	-	Yes	7	-	
B M Shivashankar	Managing Director	-	Yes	5	-	-
V P Singh	NENI	-	-	3	3	

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

Committees of the Board

The Audit Committee of the Comapany could not be re-constituted due to non induction of the independent directors on the Board of the Company by the Government. The Company has requested to the Administrative Ministry for the same.

Remuneration of Directors

An amount of Rs.,500/- is payable only to independent / Directors for attending each meetings of the Board and Committees.

General Body Meetings

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

Financial year	Date	Time	Venue
2013-14	29.9.2014	10.30 A M	HMT Bhavan No.59, Bellary Road, B'lore-03.
2014-15	14-9-2015	10.30 A M	— DO —
2015-16	28-9-2016	10.30 A M	— DO —

Special Resolution if any

Annual General Meeting for the current year is scheduled to be held before September 2017 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 statutory dues outstanding Statutory Dues payable by some of the units of the Company which have approached /are approaching the provident Fund Authorities requesting to settlement of Statutory dues in monthly installments.

The Company has not established a whistle Blower Policy for the employees.

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.hmtindia.co.in

Form No. MGT-9

EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31.03.2017

[*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	:	U33301KA1999LC025573
ii.	Registration Date	:	August 09, 1999
iii.	Name of the Company	:	HMT Watches 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
vi.	Whether listed company	:	No
vii.	Name, Address and Contact details of Registrar and Transfer Agent, if any	:	HMT Watches Limited Bangalore – 560 032 Ph.: 91- 80-23330333

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 Code of the Product/ service	% total turnover of the company
1	Watches	33301	100%

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	L29230KA1953PTC000748	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	6490100	6490100	100	0	6490100	6490100	100	0
	Sub-Total A(1) :	0	6490100	6490100	100	0	6490100	6490100	100	0
(2)	FOREIGN	NIL								
	Sub-Total A(2) :	-	-	-	-	-	-	-	-	-
	Total A=A(1)+A(2)	0	6490100	6490100	100	0	6490100	6490100	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	6490100	6490100	100	0	6490100	6490100	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	6490100	100	NIL	6490100	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	**6490100**	**100**	**6490100**	**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	**6490100**	**100**	**6490100**	**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 01.04.2016				
i) Principal Amount	-	279198.73	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**-**	**279198.73**	**-**	**-**
Change in Indebtedness during the financial year				
- Addition	-	-	-	-
- Reduction	-	-	-	-
Net Change	**-**	**-**	**-**	**-**
Indebtedness at the end of the financial year 31.03.2017				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**-**	**279198.73**	**-**	**-**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Whole-time Director:

S.No.	Particulars of Remuneration	Name of MD/WTD/ Manager
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act,1961 (b) Value of perquisites u/s17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	 - - -
2	Stock Option	-
3	Sweat Equity	-
4	Commission - as % of profit - others, (W.A, EL & P. Bonus)	-
5	Provident Fund	-
6	Gratuity	-
7	Medical Benefits	-
	Total (A)	-
	Ceiling as per the Act	-

B. Remuneration to other Directors:

Independent Directors :

Particulars of Remuneration	*Name of MD/WTD*	*Total Amount*
- Fees for attending board/committee meetings		-
- Commission	-	-
- Others, please specify	-	-
Total (1)	-	-
Other Non-Executive Directors		
Particulars of Remuneration	-	-
Total (2)	-	-
Total (B)=(1+2)	-	-
Total Managerial Remuneration	-	-
Overall Ceiling as per the Act		

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

Sl. No.	Particulars of Remuneration	Key Managerial Personnel
1.	Gross salary(a)Salary as per provisions contained in section 17(1) of the Income -tax Act,1961 (b)Value of perquisites u/s17(2) Income-tax Act,1961	-
	(c)Profits in lieu of salary under section 17(3)Income-tax Act, 1961	
2.	Stock Option	-
3.	Sweat Equity	-
4.	Commission- as % of profit-others, (W.A, EL & P. Bonus)	-
5.	Provident Fund	-
6.	Gratuity	-
	TOTAL	**-**

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 2016-17

INDEPENDENT AUDITORS' REPORT

To the members of HMT Watches Limited, Bangalore

REPORT ON THE FINANCIAL STATEMENTS

1. We have audited the accompanied standalone Ind AS financial statements of HMT Watches Limited,("The Company") which comprise the balance sheet as at 31st March 2017., the statement of profit and loss (including the statement of Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity , a summary of the significant accounting policies and explanatory notes, incorporated in which the audited financial statements of watch factories at Bangalore, Tumkur and Watch Marketing Division audited by us and financial statements of watch factories at Ranibagh, audited by other branch auditor appointed by C & AG of India under subsection (5) of section 139 read with subsection (8) of section 143 of the Companies Act 2013, whose report has been furnished to us and our opinion in so far as it relates to the amounts included in respect of the branches, is based solely on the report of the other auditors.

MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Indian Accounting Standards) Rules, 2015, as amended. 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 the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

3. Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit

also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

5. Basis for Qualified Opinion

I. Disagreement on Accounting Policies inappropriate Disclosure.

a) <u>Going Concern Concept:</u>

i. The Board of Directors in its 72nd board meeting held as on 18.01.2016 has decided to close down the company after getting the approval from cabinet committee of Economic Affairs.

ii. The accumulated losses of the company as at the close of 31st March 2017 amounted to Rs.2,80,108.20 lakhs against which the paid up capital of the company is Rs.649.01 lakhs and the losses has totally eroded the net worth of the company.

iii. The company has been incurring continues operating losses for the past many years.

iv. The total liabilities of the company as at the close of 31st March 2017 is Rs.2,87,179.94/- lakhs against which the Fixed and current assets are only Rs.7,720.75 lakhs.

v. The contingent liabilities disclosed in the financial statements are Rs. 4,169.15/- lakhs and there are other liabilities, which have not been quantified. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

vi. Consequent to the decision of closing down the Company, the Company has sold all the fixed assets other than the immovable properties and fixed assets of Ranibagh Unit. In respect of immovable property other than Ranibagh Unit, the Company is in the process of transferring the assets.

b) Certain internal control deficiencies were observed during the course of audit of financial statements. The management does not establish adequate internal controls to ensure that transactions were properly classified, accounted, reviewed and reconciled. The units of the company did not follow the established internal controls such as performing account reconciliations, obtaining periodical conformation of balances, and periodical verification of fixed assets, payment vouchers duly supported by sanctions and providing management an oversight of the financial management accounting processes.

c) The company has not identified, measured, quantified and disclosed the impairment of assets and its impact on the current financial statements in line with the IND AS 36.

d) Depreciation on leasehold land and building in the case of Watch Marketing Division has been computed at 10% by applying straight line method rates of depreciation which is contrary to the rate specified in Schedule II of Company Act 2013. The impact of the same on the net loss of the company and also on carrying cost of tangible assets is not ascertainable.

e) The details for fixed assets with written down value of Rs 1 lakh and above which have been retired from active use and disclosed at lower of book or net realizable value were not made available in respect of watch factory Ranibagh.

f) Valuation of inventories not being in accordance with the IND AS 2 - Valuation of Inventories due to:

- During the year under review the Company had conducted physical verification of raw materials, work in progress and finished goods all the divisions other than the Ranibagh Unit. However, we have not been provided any reconciliation statement of stock as per books and physical verification.

- In watch factory Ranibagh the work in progress is valued at cost instead of cost or NRV whichever is less.
- Individual details of slow/non moving goods and obsolete inventories were not made available to us. In Watch Factory Ranibagh no provision was made towards non moving/slow moving inventory which is contrary to the Accounting policy of the Company. Accordingly, we are unable to comment on adequacy of such provisions made in the accounts.
- No provision for additional duty redemption fine and penalty of Rs.150.00 lakhs was made in the accounts relating to watch components valued at Rs. 343.30 lakhs taken into custody by the Customs authorities in the earlier years in Watch Factory, Ranibagh.
- The Watch Marketing Division has not obtained confirmation of balances from the customs authorities in respect of watch components taken into custody by customs authorities and included in inventories valuing Rs. 67.12 lakhs.

  In view of the above we do not express an independent opinion on the correctness of existence and valuation of inventories. Net effect of the same on the financial results is not ascertainable.

g) As required by Part II, Schedule III of the Companies Act 2013, the statement of profit and loss account does not disclose item of income or expenditure which exceeds 1 percent of revenue from the operation or Rs.10 lakh whichever is higher.

h) Finance cost includes interest on delayed payment of statutory dues instead of disclosing the same distinctly.

i) The company has not made provision for liability towards the interest payable under micro- small and medium enterprises development act 2006, if any, in the accounts. The impact of non provision for such interest on the financial results of the company if not ascertainable. In the absence of confirmation from vendors and non availability of adequate information with the units, provision made towards interest and the principal amount disclosed as dues as on balance sheet date, we are unable to comment on the adequacy of provision and the impact on the financial statements.

II. Disagreement on accounting issues

a) Other current liabilities include a sum of Rs. 889.62 Lakhs relating to advances received against sale of land including buildings. The company has executed an agreement to sale and the possession of land (including buildings) has been given to the purchaser. The transaction has not been recognized as sale pending approval from the concerned authorities for the execution of sale deed. The value of land (including buildings) has been included in the respective under fixed assets though there are not future economic benefits flowing to the company and the possession is already given to the buyer. The consequential impact on the losses, carrying amount of the fixed assets, depreciation and taxes are not ascertainable.

b) Fixed assets have been transferred from the Holding Company (HMT Ltd) to the company at the gross values, reserve for the depreciations and net values as on 01.04.2000 in accordance with the scheme of arrangement approved by the Department of the Company Affairs. The depreciation has been charged from the accounting year 2000-01 and onwards on the original cost of the assets on straight line basis, keeping in view the estimated life of the assets. Fixed assets should have been recorded at original cost to the company instead of historical cost to HMT Ltd. This has resulted in overstatement of gross block by Rs. 32.21 crores. Excess depreciation charged on such overstatement of gross block has not been quantified. Effect of the same on the overstatement of losses and understatement of net block of the assets are not ascertainable.

c) During the year the Company had sold through MSTC all the fixed assets other than the land and building and fixed assets of Ranibagh. In the absence of the proper fixed asset register are subject to reconciliation from MSTC. we are unable to comment on the material discrepancy if any on the sale of fixed asset and impact on the financial result of the Company.

d) There is no system of obtaining periodical confirmation of balances relating to trade receivables, trade payables, loans and advances, current liabilities and provisions and in many cases the balances are subject to reconciliation. The effect of the same on current assets and current liabilities and on the net loss for the year is not ascertainable. Reconciliation has not been done for many years. We are unable to obtain direct balance confirmation from parties in the absence of details of parties made available to us.

e) Balances with banks in current account with scheduled banks relating to few of the show rooms amounting to Rs. 39.42 Lakhs and cash on hand amounting to Rs.1.29 lakhs relating to Watch Marketing Division are disclosed as per books of accounts. However as per the bank statements of show rooms (other than Kolkata) the balance available is only Rs. 15.28 lakhs. We have not been provided reconciliation statement proper explanation with regard to the cash balance of show rooms and deficiency in the bank balance and the same was not provided in the financial statements.

f) Service tax liability under reverse charge mechanism has neither been ascertained nor provided for in the accounts. Impact of the same on the Net Loss of the Company is not ascertainable.

g) In the absence of age wise classification of Debtors made available to us, we are unable to express our opinion on adequacy of provisions towards trade receivables made up to 31.03.2017 amounting to Rs. 4,236.98 Lakhs.

h) The details for interest on delayed payment statutory dues were not made available. The company has neither ascertained nor worked out the quantum of penal interest, penalties and damages towards default in remitting statutory dues. In the absence of such details, we are unable to express our opinion on adequacy of provision towards interest on delayed payment and its impact on financial statements.

i) No provision towards gratuity amounting to Rs. 28 Lakhs during training period has been made in the financial statements as ordered by ALC on the applications filed by 125 separated employees and orders of Hon’ble High Court of Karnataka to deposit Rs. 28 Lakhs, which is contrary to IND AS 37 – Provisions, Contingent Liabilities and Contingent Assets, resulting in understatement of loss and current liabilities and provisions to that extent. Impact on financial statements is not ascertainable.

j) In Watch Marketing Division, Retention Deposit, EMD and Security Deposits and other old outstanding liabilities shown under other current liabilities continue to be carried forward and many of the showrooms have been closed. Complete party wise details of such deposits are not available and no steps have been taken to ascertain the details and review/reconciliation of such deposits.

k) KVAT input credit as per books of Watch Factory Tumkur is Rs. 18.11 Lakhs whereas as per KVAT Form 100 it is NIL. No reconciliation has been carried out. In the absence of reconciliation, impact on financial statements is not quantifiable.

l) Company has not disclosed contingent liability if any relating to sale of land to Canara bank and subsequent claim by third party vide miscellaneous petition no. 621/622 pending adjudication.

m) As stated in note no. 2.27, no provision is made for liabilities aggregating Rs. 3,177.85 lakhs in respect of employee related claims relating to lockouts, back wages, incentives, annual bonus etc. This has resulted in understatement of net loss by Rs. 3,177.85 lakhs and corresponding understatement of current liabilities to that extent.

n) In pursuant to distress warrant dated 23-12-2011 issued by Bangalore Mahanagara Palike for recovery of Rs. 381.31 lakhs of property tax along with penalty for the period from 01-10-1995 to 2011-12, a total provision of Rs. 665.19 lakhs has been made towards such taxes and penalties as at the 31st March 2016.

o) One of the creditor of the company had obtained execution decree dated 30-05-1998 passed in OS no. 15652 of 2008 for Rs. 128 lakhs. This fact together with contingent liability if any has not been disclosed in the financial statements of the company.

Qualified Opinion

6. In our opinion and to the best of our information and according to the explanation given to us, except for the effects of matters described in the Basis for Qualified Opinion paragraph above and based on our audit and on consideration of the reports of other auditors on the financial statements of those unit not audited by us and in view of non-compliance to various accounting standards, inadequacies in internal control system, absence of confirmation and reconciliation of balances in parties accounts, confirmation and reconciliation of bank balances and other issues as discussed in the above paras, combined with non-availability of data to assess their impact on the financial statements and undetected misstatement, if any, contained therein, the attached 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:

i) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March 2017;

ii) In the case of the Statements of Profit and Loss, of the **LOSS** of the Company for the year ended on that date; and

iii) In the case of Cash Flow Statement, of the Cash flows of the Company for the year ended on that date.

7. Emphasis of Matter

i) We draw attention to “Basis of preparation of Financial Statements” disclosed in significant accounting policies to the financial statements are prepared as of a going concern in spite of decision to close the company and substantial operational losses being incurred and company’s operations are negligible compared to the installed capacity of working.

ii) Note No.2.2(b) – regarding inclusion of immovable properties in Gross Block of the fixed assets, vested under the Scheme of Arrangement approved by Government of India and non-carrying of the mutation of title deeds in the revenue records to that effect. Hence, the title to the immovable properties could not be ensured.

iii) Note No. 2.2(c) – regarding possession of gifted land located at Bangalore admeasuring 89.74 acres of which 7.0 acres of land encroached upon and the matter taken up with the Government of Karnataka to shift the un authorized occupants. Though the Company is in possession of lands at various units, it has not obtained up-to date encumbrance certificates from the concerned authorities to ascertain the extent of encroachment/title verification.

iv) Note No. 2.2(d) – regarding non identification of equivalent value of land sold and transferred during 2003-04 based on a MOU entered into between HMT Ltd and the Company. Certain lands were sold and the profit on sale of such lands amounting to Rs. 1,421 Lakhs were accounted in books of account of HMT Ltd, holding company and equivalent value of the land has not yet been indentified and transferred to the company.

v) Note No. 2.28, 2.29, and 2.30 – regarding pendency of sales tax assessments, suits filed by employees and non ascertainment of liabilities on sale of land, respectively, not provided for in the accounts.

vi) Note No 2.12 – regarding loan from Government of India (GOI). We have not been provided confirmation from department of Heavy Industries.

vii) Note No. 2.37 – regarding non refund of Rs.100 Lakhs to GOI out of Rs. 200 Lakhs – Plan Assistance received during March 2007 for meeting capital expenditure and accounting of FD in favor of Holding Company.

viii) In watch factory Ranibagh, M/s Bharat Sanchar Nigam Limited(BSNL) raised a number of telephone bills relating to the Telephone No. 244214 and 244399 amounting to Rs. 86,582/- pertaining to period of 16.07.2003 to 15.11.20013. It was observed that these telephones were installed in the guest house of the unit and were being utilized by one of its ex-unit head, who was transferred to Bangalore and has since retired. BSNL had adjusted the amount against rent of property payable by them to the unit. The Company has so far failed to recover the old outstanding amount from the said official and no adjustment has been made in the books of account.

ix) We are unable to comment on the compliance of section 186 and 188 of Company Act 2013 in respect of advance given and transaction with related party entered during the year as necessary document for compliance of said section is not provided for our verification.

8. Other Matter

i) The accounting of sale of fixed assets, stores, spares and components made during the year was not verified by us, in the absence of the necessary information and confirmation from third party.

ii) The financials statement of Ranibhag unit audited by other branch auditor was not prepared as per the IND AS requirement . As per the representation received from the management, IND AS compliance was done on consolidated basics. Necessary entries to be passed as per IND AS requirement was not incorporated in the audited financials statement of Ranibhag unit, which was not verified by us.

iii) The Company has not complied the disclosure for the following as per IND AS:-

a. Fair Value of recognition of financial assets and liabilities.

b. Deferred Tax Liability.

c. Provision for expected credit loss on Trade Receivables.

iv) Information relating to materials, stock written off and increase or decrease in value of finished goods has not been provided to us for verification and therefore we are unable to comment on the disclosure of the same in the financial statement.

v) The Company (Tumkur Unit) has remitted Rs. 48.10 lakh in cash to employees as a part of final settlements which is in contrary to the generally accepted practice of the Company.

vi) Company has not constituted an Audit Committee as required under the provisions of Section 177 of the Companies Act, 2013. The Internal Audit Reports are not reviewed by the Management periodically and corrective action taken to report compliance to the Board.

vii) The Company does not have a qualified Company Secretary as required under the provisions of Section 203 of the Companies Act, 2013.

viii) We did not audit the financial statement of Ranibhagh unit. The reports on this Units of the Company audited under section 143(8) of the Act by the Unit auditors have been sent to us and have properly dealt with by us in preparing this report.

9. Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 (the "Order") issued by Central Government of India in terms of sub section (11) of section 143 of the Act and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the **'Annexure A'**, a statement on the matters

specified in paragraphs 3 and 4 of the Order to the extent applicable.

2. As required by sub section (3) 0f section 143 of the Act, we report that:

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

b. In our opinion, subject to our observations mentioned above paragraph 5 to 7, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books.

c. The Balance Sheet, the Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the financial statements, subject to our observations mentioned above paragraph 5 to 7.

d. Except for the effects of the matters described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid IND AS financial statements comply with the Accounting Standards referred to in Section 133 of the Act, read with relevant rule issued there under.

e. In our opinion, based on the Notification No. GSR 829(E) dated 21.10.2003 issued by the Department of Company Affairs, Government of India, the requirements under sub-section (2) of section 164 of the Companies Act, 2013 does not apply to the Company, being a Government Company.

f. 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**' and

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

i) ***The company has not ascertained and disclosed the impact of pending litigations on its financial position in its financial statements;***

ii) There were no long term contract including derivative contract for which provision is required to be made as required under the applicable laws or accounting standards for material losses;

iii) There were no amounts required to be transferred to the Investor Education and Protection Fund by the company.

iv) The Company does not have relevant information with regard to the denomination of cash on hand and therefore the disclosure under Specified Bank Notes has not been made. Refer Note 2.42 to the standalone Ind AS financial statements.

3. As required by Section 143(5) of the Act, we have considered the directions issued by the Comptroller and Auditor General of India, the action taken thereon and its impact on the accounts and financial statements of the Company is attached to this report.

For Gowthama and company
Chartered Accountants
(Firm Reg. No.: 005917S)

Harsha K M
Partner
Mem. No.: 223068

Date : 29-07-2017
Place : Bangalore

ADDENDUM TO THE INDEPENDENT AUDITORS' REPORT Dated 29th July 2017 ON THE FINANCIAL STATEMENTS OF HMT WATCHES LIMITED FOR THE YEAR ENEDED 31ST MARCH 2017

TO THE MEMBERS OF HMT WATCHES LIMITED, BANGALORE

This letter serves as an addendum to and should be read in conjunction with our Independent Auditors' Report dated 29th July 2017 on the financial statements of the Company. This addendum forms part and parcel of our Report.

After Paragraph: 9(2) of Independent Auditors' Report dated 29th July 2017, the following Paragraph is inserted:

Para 9: Report on Other Legal and Regulatory Requirements

(3) As required by Sub section (5) of Section 143 of the Act, we report that:-

a) We are unable to comment on whether the title deeds of immovable properties are held in the name of the Company as sufficient information and appropriate evidence supporting the same are not made available to us. As per the information provided to us details of immovable properties in respect of which title deeds are not available

Sl. No.	Location	Type of	Land Details Holding	Total Area (Acres)
1	Tumkur	Freehold	Deverayanapatna Village, Kasabad Hobli	119.65
1	Bangalore	Freehold	Peenya Plantation B(K) Govt. Forest Land	78.237
			Sy. No. 16 & 17 Myakalachennahalli	1.625
			MYS 357 (Transferred from MTL)	9.62
			Sy. No. 15 Myakalachennahalli	0.225
2	Bangalore	Lease Hold	Barton Centre, M G Road, Bangalore (Building)	984 Sft
3	Mumbai	Purchased (Flat)	Monalisa (Flat), Mumbai	900 Sft
4	Mumbai	Leasehold (Flat)	World Trade Centre Complex, Mumbai	1107 Sft

(b) In respect of Ranibagh Unit, the branch auditor had submitted the addendum furnishing following details in respect of details of immovable properties:-

Land	Total Area (Acre)	Remarks
Purchase Land	33.655	Free Hold
Acquired Land	11.967	Free Hold
Government Land	13.36	Govt. Land
Lease hold Land	33.32	Only Possessions, lease expired on 09.11.2014
Total	92.302	*Yes original deeds are available with company H.O., Bangalore.

(c) There were no cases of waiver/write off of debts/loans/interest, etc., during the year under report.

(d) The Company has not maintained the records in respect of inventories lying in Global Warehouse for stock in trade (Watches and Spares).

In respect of inventories of Ranibagh Unit, as reported by the branch auditor that inventories include certain watch components taken into the custody by the Customs Authorities valued at Rs.343.30 lakhs. The Collector of Customs have levied additional duty redemption fine and penalty of Rs. 150 lakhs and the company has appealed against the same to Central Excise and Gold Appellate Tribunal (CEGAT) and subsequently the case has been returned to Central Excise Commissioner for fresh hearing. No provision has been made by the company towards deterioration in the value of components which have been shown as contingent liability in Schedule of Notes on Accounts.

For Gowthama and company
Chartered Accountants
Firm Reg No: 005917S

Date: 06.11.2017
Place: Bangalore

Harsha K M
Partner
Mem No 223068

ADDENDUM TO DIRECTORS REPORT FOR THE YEAR 2016-17 IN RESPECT OF OBSERVATIONS MADE BY STATUTORY AUDITORS ON THE ACCOUNTS OF HMT WATCHES LIMITED FOR THE YEAR ENDED 31ST MARCH 2017

Auditor Queries	Replies
a) **Going Concern Concept:**	
i) The Board of Directors in its 72nd board meeting held as on 18.01.2016 has decided to close down the company after getting the approval from cabinet committee of Economic Affairs.	The Company is a subsidiary of HMT Limited and has been carrying on its activities. The Company has been receiving financial support from the Holding Company and Government of India. The financial statements have been prepared as per Accounting Standards of ICAI as a going concern concept.
ii) The accumulated losses of the company as at the close of 31st March 2017 amounted to Rs.2,80,108.20 lakhs against which the paid up capital of the company is Rs.649.01 lakhs and the losses has totally eroded the net worth of the company.	However DHI conveyed vide letter dated 13-1-2016, the decision of the CCEA to close the company by sending the all the employees on VRS/VSS. We have relieved 321 employees on VRS/VSS as on 31-3-2016. We are having 640 employees as on 31-3-2016. The closure activities will start after sending all the employees on VRS by obtaining sanctions from DHI/GOI
iii) The company has been incurring continues operating losses for the past many years.	
iv) The total liabilities of the company as at the close of 31st March 2017 is Rs.2,87,179.94/- lakhs against which the Fixed and current assets are only Rs.7,720.75 lakhs.	
v) The contingent liabilities disclosed in the financial statements are Rs. 4,169.15/- lakhs and there are other liabilities, which have not been quantified. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.	
vi) Consequent to the decision of closing down the Company, the Company has sold all the fixed assets other than the immovable properties and fixed assets of Ranibagh Unit. In respect of immovable property other than Ranibagh Unit, the Company is in the process of transferring the assets.	
b) Certain internal control deficiencies were observed during the course of audit of financial statements. The management does not establish adequate internal controls to ensure that transactions were properly classified, accounted, reviewed and reconciled. The units of the company did not follow the established	We have appointed the practicing charted Accountant firms as Internal auditors. There are no major discrepancies are reported by the internal auditors . The classifications in the accounting are rectified during the same financial year.

Auditor Queries	Replies
internal controls such as performing account reconciliations, obtaining periodical conformation of balances, and periodical verification of fixed assets, payment vouchers duly supported by sanctions and providing management an oversight of the financial management accounting processes.	
c) The company has not identified, measured, quantified and disclosed the impairment of assets and its impact on the current financial statements in line with the IND AS 36.	Many of the fixed assets of the Company are held at nominal value and fully depreciated. Considering this, the Management has not carried out any impairment
d) Depreciation on leasehold land and building in the case of Watch Marketing Division has been computed at 10% by applying straight line method rates of depreciation which is contrary to the rate specified in Schedule II of Company Act 2013. The impact of the same on the net loss of the company and also on carrying cost of tangible assets is not ascertainable.	Some of the units are working on double shifts on need based basis and majority of the plant and machinery are fully depreciated and hence there is no impact on the financial statements or violation of AS 6.
e) The details for fixed assets with written down value of Rs 1 lakh and above which have been retired from active use and disclosed at lower of book or net realizable value were not made available in respect of watch factory Ranibagh.	The company assessed realizable value. The company is also in the process of selling all the fixes assts through MSTC during 2016-17.
f) Valuation of inventories not being in accordance with the IND AS 2 - Valuation of Inventories due to:	As per AS-2 (Revised) the actual capacity utilization is to be compared with the normal capacity which is defined as production expected to be achieved on an average over a number of periods or seasons under normal circumstances. The Units have not achieved the installed capacity during the last more than ten (10) years. Hence, the method of computation by adopting planned production for the year 2015-16 V/s Actual production achieved during the year is in order. A similar practice has been followed in the earlier years
i) During the year under review the Company had conducted physical verification of raw materials, work in progress and finished goods all the divisions other than the Ranibagh Unit. However, we have not been provided any reconciliation statement of stock as per books and physical verification.	The statement s prepared as the records are compared with the stock of physical verification
ii) In watch factory Ranibagh the work in progress is valued at cost instead of cost or NRV whichever is less.	The valuation of WIP is at cost only . as there is no MRP/ NRV for the WIP. We are not selling the WIP The Company made Rs 7.11cr out off the inventories of Rs 12.57cr

Auditor Queries	Replies
iii) Individual details of slow/non moving goods and obsolete inventories were not made available to us. In Watch Factory Ranibagh no provision was made towards non moving/slow moving inventory which is contrary to the Accounting policy of the Company. Accordingly, we are unable to comment on adequacy of such provisions made in the accounts.	The company has made a provision of 7.12 cr at WFR
iv) No provision for additional duty redemption fine and penalty of Rs.150.00 lakhs was made in the accounts relating to watch components valued at Rs. 343.30 lakhs taken into custody by the Customs authorities in the earlier years in Watch Factory, Ranibagh.	The materials are with Customs authorities and penalty imposed has been contested and the same will be considered as and when the matter is settled and materials released.
v) The Watch Marketing Division has not obtained confirmation of balances from the customs authorities in respect of watch components taken into custody by customs authorities and included in inventories valuing Rs. 67.12 lakhs.	Efforts would be made to obtain confirmation of balances from the Customs Authorities in 2015-16.
vi) In view of the above we do not express an independent opinion on the correctness of existence and valuation of inventories. Net effect of the same on the financial results is not ascertainable.	All the inventories at WFB , WFT and WMK are valued by independent valuator. At WFR the inventories are valued at in the prevailing practice.
vii) As required by Part II, Schedule III of the Companies Act 2013, the statement of profit and loss account does not disclose item of income or expenditure which exceeds 1 percent of revenue from the operation or Rs.10 lakh whichever is higher.	The annual accounts are prepared based on the considering the quantum transactions .
viii) Finance cost includes interest on delayed payment of statutory dues instead of disclosing the same distinctly.	The transactions will be reviewed and after obtaining the competent authorities approval , the necessary entries will be incorporated in the books of accounts
ix) The company has not made provision for liability towards the interest payable under micro- small and medium enterprises development act 2006, if any, in the accounts. The impact of non provision for such interest on the financial results of the company if not ascertainable. In the absence of confirmation from vendors and non availability of adequate information with the units, provision made towards interest and the principal amount disclosed as dues as on balance sheet date, we are unable to comment on the adequacy of provision and the impact on the financial statements.	As per the data/information available with the Company, the Vendors are not MSME Certified/Registered.

Auditor Queries	Replies
II) Disagreement on accounting issues	
a) Other current liabilities include a sum of Rs. 889.62 Lakhs relating to advances received against sale of land including buildings. The company has executed an agreement to sale and the possession of land (including buildings) has been given to the purchaser. The transaction has not been recognized as sale pending approval from the concerned authorities for the execution of sale deed. The value of land (including buildings) has been included in the respective under fixed assets though there are not future economic benefits flowing to the company and the possession is already given to the buyer. The consequential impact on the losses, carrying amount of the fixed assets, depreciation and taxes are not ascertainable.	The sale deed has not yet been executed since approval from the competent authority has not been obtained and the Company has been consistently adopting the accounting such sale only after conveyance of the property.
b) Fixed assets have been transferred from the Holding Company (HMT Ltd) to the company at the gross values, reserve for the depreciations and net values as on 01.04.2000 in accordance with the scheme of arrangement approved by the Department of the Company Affairs. The depreciation has been charged from the accounting year 2000-01 and onwards on the original cost of the assets on straight line basis, keeping in view the estimated life of the assets. Fixed assets should have been recorded at original cost to the company instead of historical cost to HMT Ltd. This has resulted in overstatement of gross block by Rs. 32.21 crores. Excess depreciation charged on such overstatement of gross block has not been quantified. Effect of the same on the overstatement of losses and understatement of net block of the assets are not ascertainable.	This is as per the Scheme of Arrangement by the Holding Company and accounting entries made accordingly.
c) During the year the Company had sold through MSTC all the fixed assets other than the land and building and fixed assets of Ranibagh. In the absence of the proper fixed asset register are subject to reconciliation from MSTC. We are unable to comment on the material discrepancy if any on the sale of fixed asset and impact on the financial result of the Company.	We have received the Certificate from MST stating that the total sales and the amounts remitted to the company.
d) There is no system of obtaining periodical confirmation of balances relating to trade receivables, trade payables, loans and advances, current liabilities and provisions and in many cases the balances are subject to reconciliation. The effect of the same on	All the trade receivables are pertaining prior to the period of 2005. We have made provision for all the trade receivables. However is to be noted that all the parties are under litigation and with the court cases.

Auditor Queries	Replies
current assets and current liabilities and on the net loss for the year is not ascertainable. Reconciliation has not been done for many years. We are unable to obtain direct balance confirmation from parties in the absence of details of parties made available to us.	
e) Balances with banks in current account with scheduled banks relating to few of the show rooms amounting to Rs. 39.42 Lakhs and cash on hand amounting to Rs. 1.29 lakhs relating to Watch Marketing Division are disclosed as per books of accounts. However as per the bank statements of show rooms (other than Kolkata) the balance available is only Rs. 15.28 lakhs. We have not been provided reconciliation statement proper explanation with regard to the cash balance of show rooms and deficiency in the bank balance and the same was not provided in the financial statements.	Due to VRS all the employees are relieved. These amounts are transferred to the Banks at Bangalore and might have mixed with sales or accounted as unspecified credit. The detailed working will be submitted in due course.
f) Service tax liability under reverse charge mechanism has neither been ascertained nor provided for in the accounts. Impact of the same on the Net Loss of the Company is not ascertainable.	All the payments are made on account basis. We will take necessary action at the time of final settlement made to the party.
g) In the absence of age wise classification of Debtors made available to us, we are unable to express our opinion on adequacy of provisions towards trade receivables made up to 31.03.2017 amounting to Rs. 4,236.98 Lakhs.	Provision towards doubtful debts has been made as per the policy and such estimated provision is on the same basis as in the earlier years.
h) The details for interest on delayed payment statutory dues were not made available. The company has neither ascertained nor worked out the quantum of penal interest, penalties and damages towards default in remitting statutory dues. In the absence of such details, we are unable to express our opinion on adequacy of provision towards interest on delayed payment and its impact on financial statements.	The interest on delayed payment of statutories dues are worked out and accounted under the finance cost.
i) No provision towards gratuity amounting to Rs. 28 Lakhs during training period has been made in the financial statements as ordered by ALC on the applications filed by 125 separated employees and orders of Hon'ble High Court of Karnataka to deposit Rs. 28 Lakhs, which is contrary to IND AS 37 – Provisions, Contingent Liabilities and Contingent	The case is pending with Honorable HIGH COURT

Auditor Queries	Replies
Assets, resulting in understatement of loss and current liabilities and provisions to that extent. Impact on financial statements is not ascertainable.	
j) In Watch Marketing Division, Retention Deposit, EMD and Security Deposits and other old outstanding liabilities shown under other current liabilities continue to be carried forward and many of the showrooms have been closed. Complete party wise details of such deposits are not available and no steps have been taken to ascertain the details and review/reconciliation of such deposits.	All the parties(trade receivables) are gone to court for settlement of the dues to the company. This amounts will adjusted to wards dues from the parties.
k) KVAT input credit as per books of Watch Factory Tumkur is Rs. 18.11 Lakhs whereas as per KVAT Form 100 it is NIL. No reconciliation has been carried out. In the absence of reconciliation, impact on financial statements is not quantifiable.	This transaction will be verified during 2017-18 and accounted.
l) Company has not disclosed contingent liability if any relating to sale of land to Canara bank and subsequent claim by third party vide miscellaneous petition no. 621/622 pending adjudication.	The party has no documents and the documents which are produced are found in the court are Bogus . There is no need to made any provision in the books of accounts
m) As stated in note no. 2.27, no provision is made for liabilities aggregating Rs. 3,177.85 lakhs in respect of employee related claims relating to lockouts, back wages, incentives, annual bonus etc. This has resulted in understatement of net loss by Rs. 3,177.85 lakhs and corresponding understatement of current liabilities to that extent.	This case is pertains to 1979-80. As all the employees are relived on VRS after taking under taking of no dues from the company
n) In pursuant to distress warrant dated 23-12-2011 issued by Bangalore Mahanagara Palike for recovery of Rs. 381.31 lakhs of property tax along with penalty for the period from 01-10-1995 to 2011-12, a total provision of Rs. 665.19 lakhs has been made towards such taxes and penalties as at the 31st March 2016.	We have made one time settlement with BBMP. Awaiting the final order.
o) One of the creditors of the company had obtained execution decree dated 30-05-1998 passed in OS no. 15652 of 2008 for Rs. 128 lakhs. This fact together with contingent liability if any has not been disclosed in the financial statements of the company.	We have settled the amount in the court.

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 WATCHES LIMITED, BANGALORE FOR THE YEAR ENDED 31 MARCH 2017

The preparation of consolidated financial statements of HMT Watches Limited, Bangalore for the year ended 31 March 2017 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 139(5) of Act is responsible for expressing opinion on the financial statements under Section 143 of the Act based on the 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 29 July 2017.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 143(6)(a) of the Act of the financial statements of HMT Watches Limited, Bangalore for the year ended on 31 March 2017. 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 Auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge, which would give rise to any comment upon or supplement to Statutory Auditor's report.

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

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

Place: Hyderabad
Date: 08 November 2017

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

ii) Summary of Significant Accounting Policies:

a) Use of estimates:

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

b) Property, Plant & Equipment

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

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

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

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 sale.

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 yearend 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.

b Discontinued Operations

As per the CCEA Approval on 06/01/2016 it was decided that the operations of the Company will be closed. Thereafter, operations closed in the same Financial Year. According the Assets have been classified based on the definitions under IND AS16, IND AS 40 and IND AS 105. It is planned that the company will lease out the major portions of the land and buildings to a third party to generate lease rentals for the Company and accordingly, it is classified as Investment Properties

c Property, plant & equipment

Building at Corporate Head Office, where the significant portion of the property is used as Company owner occupied property and certain portion has been leased out by the Company. The management doesn't have any intention to sell the building and the portion of building which has been leased is for a short period and accordingly, it has been classified as PPE.

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 TaxesDeferred 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 2017

(Rs. in lakhs)

	Notes No.	As at 31-Mar-2017	As at 31-Mar-2016	As at 01-Apr-2015
ASSETS				
Non-current assets				
Property, plant and equipment	2.2	5.46	5.74	735.45
Current assets				
a) Inventories	2.3	909.81	2,547.70	2,825.81
b) Financial assets				
i. Trade receivables (inter units)	2.4	373.12	93.29	143.33
ii. Cash and cash equivalents	2.5	3,783.53	24,554.79	2,222.23
iii. Other financial assets	2.6	378.61	184.10	36.42
c) Other current assets	2.7	1,606.96	1,485.79	1,490.68
Non Current Assets Held for Sale	2.8	663.26	681.65	-
TOTAL ASSETS		**7,720.75**	**29,553.06**	**7,453.92**
EQUITY AND LIABILITIES				
Equity				
Equity Share Capital	2.9	649.01	649.01	649.01
Other Equity	2.10	(2,80,108.21)	(2,62,687.94)	(2,49,271.03)
Share application money Pending allotement		-	-	-
Non-current liabilities				
a) Financial liabilities				
i. Borrowings		-	-	-
b) Provisions				
i. Employee Benefit obligations	2.13	152.64	3,274.53	4,914.48
c) Other non- current liabilities				
Current liabilities				
a) Financial liabilities				
i. Borrowings				
ii. Trade and other payables	2.11	474.66	571.22	674.95
iii. Other financial liabilities	2.12	2,79,198.73	2,68,180.74	2,36,438.15
b) Provisions				
i. Employee Benefit obligations	2.13	339.09	2,077.17	2,481.58
ii. Others	2.14	11.32	11.32	11.32
c) Other current liabilities	2.15	7,003.50	17,477.02	11,555.47
TOTAL LIABILITIES		**7,720.75**	**29,553.06**	**7,453.92**
Summary of Significant Accounting Policies	2.1			
See accompanying notes to the financial statements	2.2 to2.39			

As per our report of even date attached
For Gowthama & Co.
Chartered Accountants
Firm Regd. No. 005917S

Harsha K M
Partner, Mem. No. 223068
Place : Bangalore
Date : 29th July 2017

For and on behalf of the Board of Directors of H M T Watches Limited

S. Girish Kumar
Chairman
DIN 03385073

B. M. Shivashankar
Director
DIN 05344115

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2017

(Rs. in lakhs)

	Note No.	Year ended 31-Mar-2017	Year ended 31-Mar-2016
Continuing Operations			
Discontinued Operations			
Revenue from operations	**2.16**	728.96	490.37
Other income	**2.17**	413.91	179.05
Total revenue		**1,142.86**	**669.42**
Expenses			
Cost of material consumend	**2.18**	-	12.02
Purchase of Stock in Trade	**2.19**	165.15	7.43
Changes in inventory of work-in progress, stock-in- trade and finished goods.	**2.20**	43.18	159.24
Excise Duty on Sales		1.31	58.33
Changes in Excise Duty on Finished Goods	**2.21**	119.00	11.13
Emloyee benefit expense	**2.22**	1,209.65	4,797.82
Other expense	**2.23**	2,873.07	566.72
Finance Cost	**2.24**	173.11	1,732.13
Depreciation and amortisation expense	**2.20**	0.12	49.07
Total expenses		**4,584.59**	**7,393.89**
Profit/ (loss) before exceptional items and tax		**(3,441.73)**	**(6,724.47)**
Exceptional items	**2.25**	16,914.60	8,832.72
Profit/ (loss) before tax		**(20,356.33)**	**(15,557.19)**
Tax expense			
a) Current tax		**-**	**-**
b) Deferred tax		**-**	**-**
Profit/ (loss) for the period from discontinued operations		**(20,356.33)**	**(15,557.19)**
Profit/ (loss) for the period		**(20,356.33)**	**(15,557.19)**

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2017

(Rs. in lakhs)

	Note No.	Year ended 31-Mar-2017	Year ended 31-Mar-2016
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement Gains/(Loss) on Defined Benefit Obligations		2,936.07	2,140.28
Items that will be reclassified to profit or loss			-
Other Comprehensive Income		**2,936.07**	**2,140.28**
Total comprehensive income for the period		**(17,420.26)**	**(13,416.91)**
Earnings per equity share (for continuing operations)			
a) Basic			
b) Diluted			
Earnings per equity share (for discontinued operations)			
a) Basic	**2.39**	(313.65)	(239.71)
b) Diluted		(313.65)	(239.71)
Earnings per equity share (for discontinued & continuing operations)			
a) Basic		(313.65)	(239.71)
b) Diluted		(313.65)	(239.71)
Summary of Significant Accounting Policies	2.1		
See accompanying notes to the financial statements	2.2 To 2.39		

As per our report of even date attached
For Gowthama & Co.
Chartered Accountants
Firm Regd. No. 005917S

Harsha K M
Partner, Mem. No. 223068
Place : Bangalore
Date : 29th July 2017

For and on behalf of the Board of Directors of H M T Watches Limited

S. Girish Kumar
Chairman
DIN 03385073

B. M. Shivashankar
Director
DIN 05344115

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

(Rs. in lakhs)

	Year ended 31-Mar-2017	Year ended 31-Mar-2016
Operating activities		
Profit before tax from continuing operations		
Profit/(loss) before tax from discontinued operations	(20,356.33)	(15,557.19)
Profit before tax	**(20,356.33)**	**(15,557.19)**
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and impairment of property, plant and equipment	0.12	49.07
Gain/(Loss) on disposal of property, plant and equipment	1,050.49	38.45
Finance income	(254.70)	(134.52)
Finance Cost	173.11	1,732.13
Working capital adjustments:		
Movements in provisions, gratuity	(1,923.90)	95.92
Increase in trade and other receivables and prepayments	(595.50)	(92.75)
Decrease in inventories	1,637.89	278.11
Increase in trade and other payables	(10,570.07)	10,196.93
	(30,838.91)	(3,393.85)
Income tax paid/reversed		
Net cash flows from operating activities	**(30,838.91)**	**(3,393.85)**
Investing activities		
Proceeds from sale of property, plant and equipment	(1,031.94)	(39.46)
Interest received	254.70	134.52
Net cash flows used in investing activities	**(777.24)**	**95.06**
Financing activities		
Proceeds from Borrowings	11,017.99	27,363.48
Interest paid	(173.11)	(1,732.13)
Net cash flows from/(used in) financing activities	**10,844.88**	**25,631.35**
Net increase in cash and cash equivalents	(20,771.26)	22,332.56
Cash and cash equivalents at the beginning of the year	24,554.79	2,222.23
Cash and cash equivalents at year end	**3,783.53**	**24,554.79**

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

As per our report of even date attached
For Gowthama & Co.
Chartered Accountants
Firm Regd. No. 005917S

Harsha K M
Partner, Mem. No. 223068
Place : Bangalore
Date : 29th July 2017

For and on behalf of the Board of Directors of H M T Watches Limited

S. Girish Kumar
Chairman
DIN 03385073

B. M. Shivashankar
Director
DIN 05344115

Notes on financial statements for the year ended

Statement of changes in equity

A. Equity Share Capital (In lakhs)

Balance at the beginning of the reporting period 1st April 2015	Changes in equity share capital during the year 2015-16	Balance at the end of the reporting period 31st March 2016	Changes in equity share capital during the year 2016-17	Balance at the end of the reporting period 31st March 2017
64,901,000	Nill	64,901,000	Nill	64,901,000

B. Other Equity

	Reserves Surplus				Other Comprehensive Income			
	Capital Reserve	Retained earnings	General Reserve	FVTOCI Reserve	Discontinued operations	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	Amount	Amount	Amount
Balance as of 1st April 2014		(2,25,222.38)						(2,25,222.38)
Changes in accounting policy or prior period errors		(672.62)						(672.62)
Restated Balance as of 1st April 2014	**-**	**(2,25,895.00)**		**- -**	**-**	**-**	**-**	**(2,25,895.00)**
Discontinued operations							-	
Remeasurement of the net defined benefit liability/asset, net of tax effect						2,017.99	2,017.99	
Total Comprehensive income for the year		(25,358.10)						(25,358.10)
At 31 March 2015	**-**	**(2,51,253.10)**		**- -**	**-**	**-**	**2,017.99**	**(2,49,235.11)**

	Reserves Surplus				Other Comprehensive Income			
	Capital Reserve	Retained earnings	General Reserve	FVTOCI Reserve	Discontinued operations	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	Amount	Amount	Amount
Balance as of 1st April 2015	-	(2,51,253.10)	-	-	-	-	2,017.99	(2,49,235.11)
Changes in accounting policy or prior period errors		(35.92)						(35.92)
Restated Balance as of 1st April 2015	**-**	**(2,51,289.02)**	**-**	**-**	**-**	**-**	**2,017.99**	**(2,49,271.03)**
Discontinued operations		2,51,289.02			(2,66,846.21)			(15,557.19)
Remeasurement of the net defined benefit liability/asset, net of tax effect							2,140.28	2,140.28
Total Comprehensive income for the year								-
At 31 March 2016	**-**	**-**		**- -**	**(2,66,846.21)**	**-**	**4,158.27**	**(2,62,687.94)**

2.10 Other Equity

	Reserves Surplus				Other Comprehensive Income			
	Capital Reserve	Retained earnings	General Reserve	FVTOCI Reserve	Discontinued operations	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	Amount	Amount	Amount
Balance as of 1st April 2016	-	-	-	-	(2,66,846.21)	-	4,158.27	(2,62,687.94)
Changes in accounting policy or prior period errors								-
Restatedbalance as of 1st April 2016	-	-	-	-	(2,66,846.21)	-	4,158.27	(2,62,687.94)
Discontinued operations					(20,356.33)			(20,356.33)
Remeasurement of the net defined benefit liability/asset, net of tax effect							2,936.07	2,936.07
Total Comprehensive Income for the year								-
At 31 March 2017	**-**	**-**	**-**	**-**	**(2,87,202.54)**	**-**	**7,094.33**	**(2,80,108.21)**

Money received against share warrants **NIL**

As per our report of even date attached
For Gowthama & Co.
Chartered Accountants
Firm Regd. No. 005917S

Harsha K M
Partner, Mem. No. 223068
Place : Bangalore
Date : 29th July 2017

For and on behalf of the Board of Directors of H M T Watches Limited

S. Girish Kumar
Chairman
DIN 03385073

B. M. Shivashankar
Director
DIN 05344115

2.2 PROPERTY, PLANT AND EQUIPMENT

(Rs. in lakhs)

	Land-Freehold	Land Leasehold	Buildings	Plant & Equipments	Furniture & Fixture	Vehicles	Special Tools	Total
Gross Block								
At 1 April 2015	367.15	9.16	1,454.72	16,665.97	321.62	7.35	12.96	**18,838.93**
Additions							0.16	**0.16**
Disposals		(0.16)		(23.90)				**(24.06)**
Assets Held for Sale	(367.15)		(1,454.72)	(16,642.07)	(321.62)	(7.35)	(13.12)	**(18,806.03)**
At 31 March 2016	**-**	**9.00**	**-**	**-**	**-**	**-**	**-**	**9.00**
Additions								**-**
Disposals		(0.16)						**(0.16)**
At 31 March 2017	**-**	**8.84**	**-**	**-**	**-**	**-**	**-**	**8.84**
Accumulated Depreciation								
At 1 April 2015		2.98	1,133.87	16,638.33	320.95	7.35		**18,103.48**
Depreciation charge for the year		0.28	28.64	16.71			3.44	**49.07**
Disposals				(24.91)				**(24.91)**
Assets Held for Sale	-		(1,162.51)	(16,630.13)	(320.95)	(7.35)	(3.44)	**(18,124.38)**
At 31 March 2016	**-**	**3.26**	**-**	**-**	**-**	**-**	**-**	**3.26**
Depreciation charge for the year		0.12						**0.12**
Disposals								**-**
Assets Held for Sale	-		-	-	-	-		**-**
At 31 March 2017	**-**	**3.38**	**-**	**-**	**-**	**-**		**3.38**
Net book value								
At 31 March 2017	**-**	**5.46**	**-**	**-**	**-**	**-**		**5.46**
At 31 March 2016	**-**	**5.74**	**-**	**-**	**-**	**-**		**5.74**
At 1 April 2015	**367.15**	**6.18**	**320.85**	**27.64**	**0.67**	**-**		**735.45**

Net book value	**31-03-2017 Amount**	**31-03-2016 Amount**	**01-04-2015 Amount**
Plant Property and Equipment	5.46	5.74	735.45

12.1 Fixed assets have been transferred from the Holding Company to the Subsidiary at the Gross values, Reserve for Depreciation and Net values as on 1.4.2000 in line with Para 10(J) and Annexuture 13 of the Scheme of Arrangement approved by the Department of Company Affairs. Depreciation has been charged for the year 2000-2001 and onwards on the original cost of the assets on straight line basis, keeping in view the estimated life of the asset.

12.2 Fixed Assets includes immovable properties, vested under the Scheme of Arrangement approved by Govt. of India. However, the mutation of title deeds is yet to be carried out in the revenue records to that effect.

12.3 Watch Factory Tumkur is in possession of Plant & Machinery supplied by UNIDO free of cost.

12.4 The Company is in possession of gift land located at Bangalore admeasuring 89.74 acres of which 7.0 acres of land has been encroached upon and the matter has been taken up with the Govt. of Karnataka to shift the un-authorised occupants.

12.5 During 2003-04 based on a MOU entered in to between HMT Ltd. and the Company, certain lands were sold and the profit on sale of such lands amounting to Rs.1421 lakhs were accounted in HMT Ltd. books. Equivalent value of the land is yet to be identified and transferred to the Company.

12.6 The Company is in possession of 119 acres and 26 guntas of land at Tumkur.

12.7 The Company is in possession of land at Ranibhag admeasuring 92.30 acres (purchase 33.655 acres, acquired 11.967 acres, Govt. land 13.36 acres and lease hold 33.32 acres)

NOTES ON FINANCIAL STATEMENTS

(₹ in lakhs)

	Particulars	As at 31-03-2017	As at 31-03-2016	As at 01-04-2015
2.3	**INVENTORIES**			
	Raw Materials	215.49	1,225.72	1,202.11
	MIT		55.81	55.81
	Stores and Spares	300.64	479.87	480.13
	Traded Goods	-	43.18	71.91
	Tools and Instruments	-	294.27	294.39
	Scrap	10.33	29.38	24.67
	Finished Goods	671.02	2,129.86	2,230.71
	Work-in-progress	424.14	1,480.76	1,526.25
	Total	1,621.62	5,738.85	5,885.98
	Less: Provisions	(711.81)	(3,191.15)	(3,060.17)
	Total	**909.81**	**2,547.70**	**2,825.81**
2.4	**TRADE RECEIVABLES**			
	Trade receivable others	373.12	93.29	143.33
	Total	**373.12**	**93.29**	**143.33**
	TRADE RECEIVABLES			
	Secured Considered good			
	Unsecured, considered good	373.12	93.29	143.33
	Doubtful	3,863.86	3,854.93	4,639.29
	Less Allowance for doubtful Debts	(3,863.86)	(3,854.93)	(4,639.29)
	Total	**373.12**	**93.29**	**143.33**

Provision for Doubtful Trade Receivables excludes Rs.788.96 Lacs (previous year Rs.788.96 Lacs) of sundry creditors for discount amounting to Rs.422.40 Lacs (previous year Rs.422.40 Lacs), Isolation Watches Rs.366.56 Lacs (previous year Rs.366.56 Lacs)

	Particulars	As at 31-03-2017	As at 31-03-2016	As at 01-04-2015
	Trade Receivable for a period > 6 Month	**373.12**	**87.88**	**133.69**
	Trade Receivable for a period < 6 Month		**5.41**	**9.64**
2.5	**CASH AND CASH EQUIVALENTS**			
	Balances with banks			
	- Current Account	626.20	114.08	117.12
	Deposit with banks	3,155.93	2,162.75	2,096.19
	Cash on hand	1.40	22,277.97	8.92
	Total	**3,783.53**	**24,554.80**	**2,222.23**

NOTES ON FINANCIAL STATEMENTS

(₹ in lakhs)

	Particulars	As at 31-03-2017	As at 31-03-2016	As at 01-04-2015
2.6	**OTHER FINANCIAL ASSETS**			
	Interest Accrued on Bank deposit	378.61	184.10	36.42
	Total	**378.61**	**184.10**	**36.42**
2.7	**OTHER CURRENT ASSETS**			
	Dues from Related Parties			
	Machine Tools Ltd	79.69		
	HMT Ltd	222.57		
	Bearings	3.45	3.45	3.50
	Secured			
	- Considered Good	-	-	-
	(Unsecured considered good)			
	- Capital Advances	5.70	5.70	5.70
	(Unsecured considered good)			
	- Considered Good	214.68	3.11	3.11
	- Receivable from MSTC	436.94		
	- Claims recoverable	519.92	1,250.63	1,251.28
	- Considered Doubtful	293.00	264.57	264.57
	Less : Provision for Doubtful Advance	(293.00)	(264.57)	(264.57)
	- Capital Advacnes	5.28	5.58	5.58
	Less: Provision for doubtful advances	(5.28)	(5.58)	(5.58)
	Prepaid and others	-	3.59	5.56
	Deposits with various authorities	124.01	219.31	221.53
	Total	**1,606.96**	**1,485.79**	**1,490.68**
2.11	**TRADE AND OTHER PAYABLES**			
	Due to micro and small enterprises*	6.93	59.24	61.06
	Dues to Trade Payable	467.73	511.98	613.89
	Total	**474.66**	**571.22**	**674.95**

*Under the Micro, Small and Medium Enterprises Development Act, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. Disclosure has been made to the extent of information available with the company for both principal as well as interest to such enterprises.

- Principal amount due and remaining unpaid			
- on account of Raw materials	6.93	59.24	61.06
- on account of Capital Goods	Nil	Nil	Nil

NOTES ON FINANCIAL STATEMENTS

(₹ in lakhs)

	Particulars	As at 31-03-2017	As at 31-03-2016	As at 01-04-2015
	- Interest due on above and unpaid interest	NA	NA	NA
	- Payment made beyond the appointed date during the year	NA	NA	NA
	- Interest due and payable for the period of delay	NA	NA	NA
	- Interest accrued and remaining unpaid	NA	NA	NA
	- Amount of further interest remaining due and payable in succeeding years	NA	NA	NA
2.12	**OTHER FINANCIAL LIABILITIES**			
	Current Maturities of long Term Debts	-	-	6,952.30
	Interest Accrued but not due on GOI Loans	-	-	9,770.89
	Interest Accrued and due on GOI Loans	-	-	94,884.20
	Government of India Loan	-	-	75,414.35
	Holding Company Loans	-	-	49,416.41
	GOI Liabilites	2,79,198.73	2,68,180.74	-
	Total	**2,79,198.73**	**2,68,180.74**	**2,36,438.15**

Note: On Consequent to the decission of Board of Directors to close down the operation, the loan from Government of India, Interest Accrued there on upto 2014-15 and loan from holding company has been classifed under other current liabilties based on the implemented scheme proprosed by the Board of Directors.

2.13	**EMPLOYEE BENEFIT OBLIGATIONS**			
	Non Current			
	Gratuity	(34.85)	2,450.95	3,779.71
	Earned Leave Encashment	159.33	700.22	959.33
	Settlement Allowance	28.16	123.36	175.44
		152.64	**3,274.53**	**4,914.48**
	Current			
	Gratuity	14.72	123.94	444.79
	Earned Leave Encashment	12.52	71.11	151.05
	Settlement Allowance		1.36	17.49
	Provision for Pay Revision	311.85	1,880.75	1,868.24
		339.09	**2,077.17**	**2,481.58**
	Total	**491.73**	**5,351.70**	**7,396.06**
2.14	**PROVISIONS**			
	Warranty Provisions			
	Opening Balance	11.32	11.32	11.87
	Additions			11.32

NOTES ON FINANCIAL STATEMENTS

(₹ in lakhs)

	Particulars	As at 31-03-2017	As at 31-03-2016	As at 01-04-2015
	Utilised			(11.87)
	Withdrawn			
	Closing Balance	**11.32**	**11.32**	**11.32**
2.15	**OTHER CURRENT LIABILITIES**			
	Dues to Relaterd Parties			
	HMT International Ltd	0.09	2.20	10.68
	HMT Machine Tools Ltd	-	26.93	1,029.85
	HMT Chinar Watches Ltd	359.18	143.62	45.17
	HMT Ltd, (Holding Company)	-	43.34	2,403.87
	Others			
	Statutory Liability	643.57	1,627.63	1,787.36
	Advance received against sale of land	889.62	889.62	889.62
	Advance received against OBS	274.54	274.84	274.84
	E M D Received	3.02		
	Retention Deposit	7.20	8.66	8.66
	Security Deposit	22.47	235.21	236.40
	Unpaid salaries and wages	1,852.25	2,459.68	2,366.39
	Employees Compensation - VRS		8,871.17	-
	Others	2,951.56	2,894.12	2,502.63
	Total	**7,003.50**	**17,477.02**	**11,555.47**

	Particulars	As at 31-03-2017	As at 31-03-2016
2.8	**Non Current Assets Held for Sale**		
	Land - Freehold	367.15	367.15
	Buildings	290.28	292.21
	Plant and Equipment	5.78	11.94
	Furniture and Fixtures	0.05	0.67
	Vehicles	0.00	0.00
	Special Tools	0.00	9.68
	Total	**663.26**	**681.65**

The manufacturing operations have been discontinued during the year 2016-17 and in line with approval of the Government of India, all the moveable assets being disposed off (other than in Ranibagh Unit where the process is yet to be completed) to meet the closure liabilities. The rights of transfer of immovable assets have been assumed by the Government and HMT Limited is the custodian of the properties till their disposal.

NOTES ON FINANCIAL STATEMENTS

(₹ in lakhs)

		For the year ended 31.03.2017 INR Lacs	For the Year ended 31.03.2016 INR Lacs
2.16	**REVENUE FROM OPERATIONS**		
	Sale of Watches	320.39	451.73
	Sale of components & semi finished products	407.99	-
	Other operating revenue	0.58	38.64
	Total	**728.96**	**490.37**
2.17	**OTHER INCOME**		
	A. Other Income		
	Staff Recovery	15.33	21.12
	Miscellaneous Income	143.88	23.40
		159.21	**44.52**
	B. Interest Income		
	Interest received on Fixed Deposits	254.70	133.19
	Interest Others	-	1.33
		254.70	**134.52**
	Total	**413.91**	**179.05**
2.18	**COST OF MATERIAL CONSUMED**		
	A, Raw material and Components		
	Inventory at the beginning of the year	1,225.72	1,202.11
	Add: Purchases	-	24.52
	Inventory at the end of the year	(215.49)	(1,225.72)
		1,010.23	**0.91**
	B. Stores, Spares and Other Component Consumed	603.60	11.11
		1,613.83	**12.02**
	Less: Stock Written off	1,613.83	**-**
	Total	**-**	**12.02**
2.19	**PURCHASE OF STOCK IN TRADE**		
	Purchase of Stock in Trade	165.15	7.43
	Total	**165.15**	**7.43**

NOTES ON FINANCIAL STATEMENTS

(₹ in lakhs)

		For the year ended 31.03.2017 INR Lacs	For the Year ended 31.03.2016 INR Lacs
2.20	**Changes in inventory of work-in progress, stock-in- trade and finished goods.**		
	Finished goods		
	Opening	2,010.86	2,100.58
	Closing	671.01	2,010.86
		1,339.85	89.72
	Work in progress		
	Opening	1,480.76	1,526.25
	Closing	424.14	1,480.76
		1,056.62	45.49
	Stock In Trade		
	Opening	43.18	71.91
	Closing	-	43.18
		43.18	28.73
	Inventory of Scrap		
	Opening	29.37	24.67
	Closing	10.33	29.37
		19.04	(4.70)
		2,458.69	159.24
	Less: Stock Written off	2,415.51	-
	Total	**43.18**	**159.24**
2.21	**CHNAGES IN EXCISE DUTY ON FINISHED GOODS**		
	Excise Duty		
	Opening	119.00	130.13
	Closing	-	119.00
	Total	**119.00**	**11.13**
2.22	**EMPLOYEE BENEFIT EXPENSES**		
	Salaries and Wages	710.76	3,505.31
	Provident Fund Contribution	177.90	399.11
	PF Tust expenses	5.90	-
	Contribution to ESI	-	0.03
	Company contribution to DLIC	-	12.99
	Gratuity	234.51	407.03
	Staff Welfare Expenses	80.59	473.35
	Total	**1,209.65**	**4,797.82**

NOTES ON FINANCIAL STATEMENTS

(₹ in lakhs)

		For the year ended 31.03.2017 INR Lacs	For the Year ended 31.03.2016 INR Lacs
2.23	**OTHER EXPENSES**		
	Office Rent	0.15	6.89
	Water and Electricity	16.26	29.56
	Insurance	2.77	6.11
	Rates and Taxes	147.73	18.91
	Travelling Expenses & Conveyance Allowance	11.36	18.98
	Printing and Stationary Expenses	3.15	4.73
	Power & Fuel	57.42	58.96
	Auditors Remuneration	1.61	1.61
	Advertisement & publication	1.52	0.37
	Repairs and Maintenance	1.78	1.33
	Miscellaneous Expenses	2,385.96	263.82
	Carriage outwards	4.80	1.29
	Legal Expenses & professional charges	123.47	-
	Postage and telephone expenses	2.59	-
	MSTC Service Charges	2.68	-
	Entertainment expenses	0.48	-
	Provision for obsolesence	-	131.06
	Security Charges (CISF)	92.09	-
	Provision for Doubtful Debts	8.93	4.60
	Sales and Distribution Expenses	0.18	-
	Share of Holding Co Expenses	8.15	18.50
	Total	**2,873.07**	**566.72**
2.24	**Finance Cost**		
	Interest on holding company	-	945.39
	Interest on loan from GOI*	-	-
	Other Interest	173.11	786.74
	Total	**173.11**	**1,732.13**

*As per CCEA recomondation the company has not provided the interest on GOI Loan from 2015-16 year onward.

2.25	**Exceptional items**		
	Compensation to Employees	18,176.48	8,871.17
	Profit on sale of Assets	(1,050.49)	(38.45)
	Provisions No Longer Required	(4,240.74)	-
	Stock written off	4,029.34	-
	Total	**16,914.60**	**8,832.72**

NOTES ON FINANCIAL STATEMENTS

2.26 CONTINGENT LIABILITIES & COMMITMENTS (to the extent not provided for)

Contingent Liabilities

Claims against the company not acknowledged as debt

	31.03.2017	31.03.2016
a) Tax related claims pending in appeal	**31.03.2017**	**31.03.2016**
- Sales Tax	-	189.33
- Customs Duty	150.00	275.75
- Excise duty	169.33	169.33
- Others	14.90	1,224.69
b) Other money for which company is contingently liable	**31.03.2017**	**31.03.2016**
- Employee related claims relating to lockouts, back wages, incentives, annual, annual bonus etc pending adjudication to the extent ascertainable	114.16	218.67
- Liability towards interest, penalty/damages as per 7Q and14B of the Provident Fund Act	3,063.69	3,842.06
c) Others	657.07	652.55

2.27 - Sales tax assessments are pending since 2008-09. Additional liability if any is not ascertainable

2.27 - 146 Ex-employees of one of the Divisions who have opted for VRS have filed case for payment of additional ex-gratia. The amount is not quantifiable.

2.28 - Liability, if any, relating to sale of land by the Company to Canara Bank and subsequent claim by third party vide Miscellaneous Petition No. 621/622, pending adjudication has not been made.

2.29 - Advances received against sale of land amounting to Rs. 889.62 Lacs represents amount received from Raman Institute of Technologies towards sale of land and building. The value of land and buildings has been included in the respective head under fixed assets. Though the Company has executed an Agreement to Sell and possession of land given to the Purchaser, the transaction has not been recognized as sale pending approval from the concerned authorities for the execution of sale deed.

2.30 VALUE OF IMPORTS CALCULATED ON CIF BASIS BY THE COMPANY DURING THE FINANCIAL YEAR	**31.03.2017**	**31.03.2016**
Components and Spare Parts	-	2.89

2.31 EXPENDITURE IN FOREIGN CURRENCY

Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest and other matters	Nil	Nil
2.32 EARNINGS IN FOREIGN EXCHANGE	Nil	Nil

NOTES ON FINANCIAL STATEMENTS

2.33 Balances under trade payables, short term loans and advances, deposits and other current liabilities are subject to confirmation. Bank balance confirmation as at the close of the year have been received from certain showrooms only. In respect of other show rooms, bank balance is adopted as per books of account. Same are subject to confirmation by the respective banks.

2.34 The Government of India (GOI) had released a Plan Assistance of Rs. 2.00 Crores to the Company (HMT Watches Ltd.) during March 2007 through Holding Company (HMT Limited) to meet the Capital Expenditure, in the form of Equity (Rs. 1.00 Crores) & Loan (Rs.1.00 Crores). In view of the non utilization of the funds by the Company within the stipulated period, GOI had instructed the Holding Co. during December 2009 for refund of the total Plan Assistance of Rs. 2.00 Crores. Accordingly, the Holding Company has refunded the Loan amount of Rs. 1.00 Crores to GOI during February 2010. However, with regard to refund of equity portion, since the Company has already issued 10,00,000 Equity Shares of Rs.10 each (Rs.1.00 Crores) in favour of Holding Company during the year 2007-08, the same could not be carried out, as it would amount to reduction in share capital requiring the approval of the Share Holders and completion of other statutory formalities as per the Companies Act, 1956 and applicable rules in this regard, and the same has been communicated to GOI. Further instructions are awaited from GOI on the same. The amount of Rs.1.00Cr. is kept in FD in favour of Holding Company, the Holding Company is giving a credit of interest for the interest earned year on year basis. The cumulative interest up to 31.03.2017 is Rs. 64.12 Lacs which includes Rs. 7.00 Lacs for the year 2016-17.

2.35	Trade Receivable include dues from 37 parties (previous year 37 parties) against whom cases have been filed before various courts pending adjudication	3,430.00	3,430.00

2.36 The Deferred Tax Assets has not been recognized in the absence of reasonable certainty that sufficient future taxable Income will be available against which such Deferred Tax Assets can be adjusted.

2.37 Segment reporting as per IND AS 108

The Company is carrying on the business of manufacture, sale and servicing of wrist watches. Sale of wrist watches is only the product in which company is engaged. Due to decision of closure of business, entire business has been classified under discontinued operation.

2.38 Related Party Disclosure (IND AS 24)

During year following transaction took place with related parties:

Rs. in Lacs

Name of the Related Party	***Nature of Relationship***	***Nature of Transacntion***	***Amount***
Chinar Watched Ltd	Fellow Subsidairy Company	Purchase of Watch	228.31

NOTES ON FINANCIAL STATEMENTS

(₹ in lakhs)

	Particulars	31-03-2017	31-03-2016
2.39	**Earnings per share (EPS)**		
	Profit attributable to equity holders:		
	Continuing operations		
	Discontinued operation	(17,420.26)	(13,416.91)
	Less: Other Comprehensive Income	2,936.07	2,140.28
	Profit attributable to equity holders for basic earnings	**(20,356.33)**	**(15,557.19)**
	Interest on convertible preference shares	-	-
	Profit attributable to equity holders of the parent adjusted for the effect of dilution	**(20,356.33)**	**(15,557.19)**
	Weighted average number of Equity shares for basic EPS*	64.90	64.90
	Effect of dilution:	-	-
	Convertible preference shares	-	-
	Weighted average number of Equity shares adjusted for the effect of dilution *	**64.90**	**64.90**
	Earnings per equity share (for discontinued operations)	**(313.65)**	**(239.71)**

* 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.

2.9 Share capital

	Authorised share capital Equity Shares	
	Number	Amount
At 1 April 2015	70.00	700.00
Increase/(decrease) during the year		
At 31 March 2016	**70.00**	**700.00**
Increase/(decrease) during the year		
At 31 March 2017	**70.00**	**700.00**

	Issued Capital Equity Shares of INR 10 each issued and fully paid	
	Number	Amount
At 1 April 2015	**6,490,100**	**649.01**
Increase/(decrease) during the year		
At 31 March 2016	**6,490,100**	**649.01**
Increase/(decrease) during the year		
At 31 March 2017	**6,490,100**	**649.01**

The company has only one class of equity shares having par value of INR10 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:

Name of the Shareholder	No of shares	% holding	No of shares	% holding
Equity shares of INR*10 each fully paid* *HMT Ltd (Holding Company)*	6,490,100	100.00%	6,490,100	100.00%

The company has only one class of equity shares having par value of INR 10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees.

NOTES ON FINANCIAL STATEMENTS

(₹ in lakhs)

	Particulars	31-03-2017 INR Lacs	31-03-2016 INR Lacs	01-04-2015 INR Lacs
2.10	**Other Equity**			
	Retained Earnings	(2,80,108.20)	(2,62,687.94)	(2,49,271.03)
	Total	**(2,80,108.20)**	**(2,62,687.94)**	**(2,49,271.03)**

Components of other comprehensive income (OCI)

The disaggregation of changes to OCI by each type of reserve in equity is shown below:

During the year ended 31 March 2017

	Retained Earnings Total INR Lacs	Total INR Lacs
Re-measurement gains (losses) on defined benefit plans	2,936.07	2,936.07
	2,936.07	**2,936.07**

During the year ended 31 March 2016

	Retained Earnings INR lacs	Total INR lacs
Re-measurement gains (losses) on defined benefit plans	2,140.28	2,140.28
	2,140.28	**2,140.28**

Defined benefit Obligations

a) The principal assumptions used in determining defined benefit obligation of the Company's plan is shown below:

	31-Mar-17	31-Mar-16	01-Apr-15
	%	%	%
Discount rate:			
Gratuity plan	7.50	8.00	8.00
Settlement Allowance	7.50	8.00	8.00
Future salary increases:			
Gratuity plan	7.00	7.00	7.00
Settlement Allowance	7.00	7.00	7.00

Summary of Demographic Assumptions	Gratuity Plan			Settlement Allowance		
	31 Mar 2017	31 Mar 2016	01 Apr 2015	31 Mar 2017	31 Mar 2016	01 Apr 2015
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%	5%	5%
Withdrawal Rate	1% to 3%	1% to 3%	1% to 3%	5%	5%	5%
Normal Retirement Age	58yrs	58yrs	58yrs	58yrs	58yrs	58yrs
Average Future Service	6.5	6.24	5.75	6.99	6.76	6.27

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 actual development in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due o 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 2017 changes in the defined benefit obligation and fair value of plan assets

		Gratuity Cost charged to profit or loss			Remeasurement gains/(losses) in other comprehensive income							
	01-Apr-16	Service Cost	Net interest expense	Sub-total included in profit / loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31-Mar-17
	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs
Defined benefit obligation	(3,333.44)	(24.72)	(266.68)	(291.40)	-			(22.25)	2,805.25	2,828.00		(796.83)
Fair Value of plan assets	758.55		56.89	56.89	-	1.52				1.52	-	816.96
Benefit Liability	**(2,574.89)**			**(234.51)**	**0.00**					**2,829.52**	**-**	**20.13**

31 March 2016 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-15	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-16
	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs
Defined benefit obligation	(4,928.82)	(107.40)	(355.97)	(463.37)					2,058.76	2,058.76		(3,333.44)
Fair Value of plan assets	704.32		56.35	56.35		(2.12)				(2.12)	-	758.55
Benefit Liability	**(4,224.50)**			**(407.03)**	**-**					**2,056.64**	**-**	**(2,574.89)**

2 Settlement Allowance :

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

		Defined Benefit cost charged to profit or loss			Remeasurement gains/(losses) in other comprehensive income							
	01-Apr-16	Service Cost	Net interest expense	Sub-total included in profit / loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31-Mar-17
	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs
Defined benefit obligation	(124.72)		(9.98)	(9.88)	-			(0.89)	107.43	106.54		(28.16)
Fair Value of plan assets												
Benefit Liability	**(124.72)**			**(9.98)**	**-**					**106.54**	**0.00**	**(28.16)**

31 March 2016 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-15	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-16
	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs
Defined benefit obligation	(192.93)		(15.43)	(15.43)	-				83.64	83.64		(124.72)
Fair Value of plan assets												
Benefit Liability	**(192.93)**			**(15.43)**	**-**					**83.64**	**-**	**(124.72)**

CONSOLIDATED BALANCE SHEET AS AT 31.03.2017

c) **Sensitivity analysis:**

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

(i) Gratuity

Particulars	(Rs. In lakhs) As at 31 March 2017		(Rs. In lakhs) As at 31 March 2016	
	Decrease	**Increase**	**Decrease**	**Increase**
Change in discounting rate	843.76	753.11	3,516.09	3,163.29
Change in rate of salary increase	749.63	837.76	3,147.69	3,499.97
Change in withdrawal rates	796.06	797.57	3,327.35	3,339.26

(ii) Settlement Allowance

Particulars	(Rs. In lakhs) As at 31 March 2017		(Rs. In lakhs) As at 31 March 2016	
	Decrease	**Increase**	**Decrease**	**Increase**
Change in discounting rate	30.03	26.42	132.42	117.58
Change in rate of salary increase	26.39	30.03	117.44	132.44
Change in withdrawal rates	30.18	26.27	133.08	116.94

The Best Estimate Contribution for the Company during the next year for Gratuity would be INR -Rs 10,06,374 and Settlement Allowance would be INR Rs 14,07,894

CONSOLIDATED BALANCE SHEET AS AT 31.03.2017

Balance Sheet Reconciliation

	FOOT NOTE	IGAAP 31 Mar 16	Reconciliations 31 Mar 16	IND AS 31 Mar 16	IGAAP 01 Apr 15	Reconciliations 01 Apr 15	IND AS 01 Apr 15
ASSETS							
Non-current assets							
Property, plant and equipment	2, 3	677.71	(671.97)	5.74	722.49	12.96	735.45
Other Non Current Assets	8	224.96	(224.96)		224.96	(224.96)	
Current assets							
Inventories		2,547.70	-	2,547.70	2,825.81	-	2,825.81
Financial assets							
i. Trade receivables(inter units)	8	93.29	-	93.29	132.65	10.68	143.33
ii. Cash and cash equivalents		24,554.80	-	24,554.80	2,222.23	-	2,222.23
iii. Other financial assets	8		184.10	184.10		36.42	36.42
Other current assets	8	1,454.61	31.18	1,485.79	1,272.60	218.08	1,490.68
Non Current Assets Held for Sale	3		681.65	681.65		-	
TOTAL ASSETS		**29,553.07**	**(0.00)**	**29,553.07**	**7,400.74**	**53.18**	**7,453.92**
EQUITY AND LIABILITIES							
Equity							
Equity Share Capital		649.01	-	649.01	649.01	-	649.01
Other Equity		(2,67,181.09)	4,493.15	(2,62,687.94)	(2,51,209.86)	1,938.83	(2,49,271.03)
Share application money Pending allotement			-			-	
Non-current liabilities							
Financial liabilities							
i. Borrowings	8		-		75,414.35	(75,414.35)	
Provisions							
i. Employee Benefit obligations	1		3,274.53	3,274.53	7,104.80	(2,190.32)	4,914.48
Other non- current liabilities	8	243.87	(243.87)		245.06	(245.06)	
Current liabilities							
Financial liabilities							
i. Borrowings	8		-		49,416.41	(49,416.41)	
ii. Trade and other payables		571.22	-	571.22	674.95	-	674.95
iii. Other financial liabilities	8		2,68,180.74	2,68,180.74		2,36,438.15	2,36,438.15
Provisions							
i. Employee Benefit obligations	1	9,844.85	(7,767.68)	2,077.17	2,266.01	215.57	2,481.58
ii. Others		11.32	-	11.32	11.32	-	11.32
Other current liabilities	8	2,85,413.88	(2,67,936.86)	17,477.02	1,22,828.69	(1,11,273.22)	11,555.47
TOTAL LIABILITIES		**29,553.06**	**0.00**	**29,553.06**	**7,400.74**	**53.18**	**7,453.92**
See accompanying notes to the financial statements							

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED

(₹ in lakhs)

Reconciliation	FOOT NOTE	IGAAP 31-Mar-16	Reconciliations 31-Mar-16	IND AS 31-Mar-16
Continuing Operations				
Discontinued Operations				
Revenue from operations	5	432.04	58.33	490.37
Other income		217.50	(38.45)	179.05
Total revenue		**649.54**	**19.88**	**669.42**
Expenses				
Cost of material consumend		12.02	(0.00)	12.02
Purchase of Stock in Trade		7.43	-	7.43
Changes in inventory of work-in progress, stock-in- trade and finished goods.	8	170.37	(11.13)	159.24
Excise Duty on Sales	5		58.33	58.33
Changes in Excise Duty on Finished Goods	8		11.13	11.13
Emloyee benefit expense	1	5,175.94	(378.12)	4,797.82
Finance Cost		1,732.13	-	1,732.13
Depreciation and amortisation expense	4	45.63	3.44	49.07
Other expense	4	570.16	(3.44)	566.72
Total expenses		**7,713.68**	**(319.79)**	**7,393.89**
Profit/ (loss) before exceptional items and tax		**(7,064.14)**	**339.67**	**(6,724.47)**
Exceptional items	7	8,907.09	(35.92)	8,871.17
Profit/ (loss) before tax		**(15,971.23)**	**375.59**	**(15,595.64)**
Tax expense				
a) Current tax				-
b) Deferred tax				-
Profit/ (loss) for the period from discontinued operations		**(15,971.23)**	**375.59**	**(15,595.64)**
Profit/ (loss) for the period		**(15,971.23)**	**375.59**	**(15,595.64)**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurement Gains/(Loss) on Defined Benefit Obligations	6		2,140.28	2,140.28
Items that will be reclassified to profit or loss				-
Other Comprehensive Income		**-**	**2,140.28**	**2,140.28**
Total comprehensive income for the period		**(15,971.23)**	**2,515.87**	**(13,455.36)**
Earnings per equity share (for continuing operations)				
a) Basic				
b) Diluted				
Earnings per equity share (for discontinued operations)				
a) Basic		(246.09)	6.38	(239.71)
b) Diluted		(246.09)	6.38	(239.71)
Earnings per equity share (for discontinued & continuing operations)				
a) Basic		(246.09)	6.38	(239.71)
b) Diluted		(246.09)	6.38	(239.71)

See accompanying notes to the financial statements

Footnotes to the reconciliation of equity as at 1 April 2015 and 31 March 2016 and profit or loss for the year ended 31 March 2015

1 Defined benefit obligation

Both under Indian GAAP and Ind AS, the Company recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under Indian GAAP, the entire cost, including actuarial gains and losses, are charged to statement of profit or loss. Under Ind-AS, remeasurements are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI. Thus the employee benefit cost is reduced and Remeasurement gains/ losses on defined benefit plans has been recognized in the OCI.

2 Non Current Assets Held for Sale

Under IND AS there was no specific disclosure for Non Current Assets Held for Sale. Under IND AS, Property, Plant and equipment is classified as Non Current Assets held for Sale in accordance with IND AS 105

3 Property, plant and equipment

Under Indian GAAP the Company has recognised Special Tools as Other Current Assets. Under IND As, the company recoginses it as Property, Plant ad Equipment as per the definition.

4 Depreciation of property, plant and equipment

Under Indian GAAP the company has recognised depreciation of Special Tools as Amortisation under Other Expenses. Under IND AS the Company has to recognises and depreciate it as PPE based on useful life, as disclosed in the Significant Accounting Policy.

5 Sale of goods

Under Indian GAAP, sale of goods was presented as net of excise duty. However, under Ind AS, sale of goods includes excise duty. Excise duty on sale of goods is separately presented on the face of statement of profit and loss. Thus sale of goods under Ind AS has increased with a corresponding increase in other expense.

6 Other comprehensive income

Under Indian GAAP, the Company has not presented other comprehensive income (OCI) separately. Hence, it has reconciled Indian GAAP profit or loss to profit or profit or loss as per Ind-AS. Further, in Indian GAAP Statement of profit or loss is reconciled to total comprehensive income as per Ind-AS.

7 Prior Period Items

Under Indian GAAP the company has accounted Prior Period Item in the reporting periods Statement of Profit and Loss. Under IND AS, Prior Period Items are adjusted against the opening balance of Retained Earnings and the Balancesheet for the corrosponding period is restated.

8 Others

The reconciliation between Indian GAAP and IND AS is only on account of classificational changes to comply with the IND AS and Schedule III, Division II of Companies Act, 2013.

First Time Adoption of IND AS

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

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ending on 31 March 2017, together with the comparative period data as at and for the year ended 31 March 2016, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at 1 April 2015, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at 1 April 2015 and the financial statements as at and for the year ended 31 March 2016.

Exemptions availed:

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS.

Since there is no change in the functional currency, the company has elected to continue with the carrying value for all of its Property, Plant and Equipment as recognised in its Indian GAAP financial as deemed cost at the transition date