

HMT (INTERNATIONAL) LIMITED

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BOARD OF DIRECTORS

Shri S. Girish Kumar	Chairman (From 01.12.2013)
Shri Harbhajan Singh	Chairman (Upto 30.11.2013)
Shri Rajesh Kumar Singh	Director
Shri Sumanth Chaudhuri	Director
Shri S. Girish Kumar	Managing Director
Shri P. Udaya Sankar	Director (International Marketing)

AUDITORS

M/s K. Channabasappa & Co.,
Chartered Accountants
Bangalore

BANKERS

UCO Bank
Bank of Maharashtra
Indusind Bank
Punjab National Bank
Syndicate Bank
Bank of India

REGISTERED OFFICE

“HMT BHAVAN”
59, Bellary Road
Bangalore 560 032

PERFORMANCE HIGHLIGHTS

(₹ in Million)

	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
OPERATING STATISTICS										
Sales, Stock accretion & Other Income	286.71	415.02	370.44	311.65	325.02	171.76	260.75	342.48	207.69	285.06
Interest Income	24.78	29.45	26.79	18.33	21.90	18.96	17.90	12.78	1.76	5.01
	311.49	444.47	397.23	329.98	346.92	190.72	278.65	355.26	209.45	290.07
Purchases	179.62	239.85	207.16	180.95	190.71	115.13	185.90	238.42	118.64	209.11
Employees Costs	77.27	45.62	48.67	35.19	31.77	20.69	19.95	28.76	22.40	21.27
Other Operating Costs	47.86	88.60	121.95	108.82	82.69	40.23	59.55	69.58	55.29	52.52
Depreciation	1.78	1.86	1.86	1.77	1.75	1.84	2.03	2.00	2.15	2.33
	306.53	375.93	379.64	326.73	306.92	177.89	267.43	338.76	198.48	285.23
Gross Profit	4.96	68.54	17.59	3.25	40.00	12.83	11.23	16.50	10.97	4.84
Interest	0	0.04	0.20	0.10	0.40	0.20	1.01	0.15	1.18	4.09
Net Profit Before Taxes (<i>after prior period</i>)	4.96	68.50	17.39	3.15	39.60	12.63	10.22	16.35	9.79	0.75
Taxes & Deferred Tax	3.92	23.65	3.91	1.07	12.99	2.07	1.75	2.68	3.81	0.68
Profit After Taxes	1.04	44.85	13.48	2.08	26.60	10.55	8.47	13.67	5.98	0.07
FINANCIAL POSITION										
Current Assets	385.78	467.07	488.79	381.93	392.03	320.09	301.16	362.36	261.84	145.87
Current Liabilities & Provision	118.37	201.80	258.6	165.03	175.88	127.89	122.09	191.00	96.14	95.24
Net Working Capital	267.41	265.27	230.19	216.90	216.15	192.20	179.07	171.36	165.70	50.63
Net Fixed Assets	54.89	56.63	48.39	49.67	49.76	50.79	52.63	53.12	55.12	204.55
Investments	0	0	0	0	0	0	0	0	2.97	2.97
Capital Employed	322.30	321.90	278.58	266.57	265.91	242.99	231.70	224.48	223.79	258.15
Borrowings	0	0	0	0	0	2.18	0	0	5.00	44.54
Deferred Tax Liability	11.92	11.70	11.55	11.35	11.09	10.90	10.68	10.24	10.01	9.71
Net Worth	310.38	310.20	267.03	255.22	254.82	229.91	221.02	214.24	208.78	203.90
DATA ON EQUITY CAPITAL										
Share Capital	7.20	7.20	7.20	7.20	7.20	7.20	7.20	7.20	4.80	4.80
Reserves	303.19	303.00	259.82	248.02	247.63	222.71	213.83	207.04	203.98	199.10
Retained Earnings	0.31	43.22	11.84	0.53	25.00	8.88	6.78	5.46	5.87	0.07
Dividend - Normal	0.72	1.44	1.44	1.44	1.44	1.44	1.44	1.44	0.96	-
- Special	-	-	-	-	-	-	-	5.76	-	-
Dividend(%) - Normal	10	20	20	20	20	20	20	20	20	-
- Speical	-	-	-	-	-	-	-	80	-	-
OTHER STATISTICS										
Cash Flow	2.82	46.71	15.34	3.85	28.35	12.39	10.50	15.67	8.13	2.40
Turnover / Working Capital Ratio	1.07	1.56	1.61	1.44	1.50	0.89	1.46	2.00	1.25	5.63
Return on Capital (%)	1.54	21.29	6.31	1.22	15.04	5.28	4.85	7.35	4.90	1.87
Number of Employees	52	59	60	59	61	61	62	65	68	76
Per Capita Sales	4.82	5.78	5.40	4.73	5.05	2.68	4.03	4.84	2.19	3.71

* Includes Extra Ordinary Item ₹ .32.92 and ₹ .28.33 million during the Financial Year 2010-11 & 2011-12 respectively

DIRECTORS' REPORT

TO

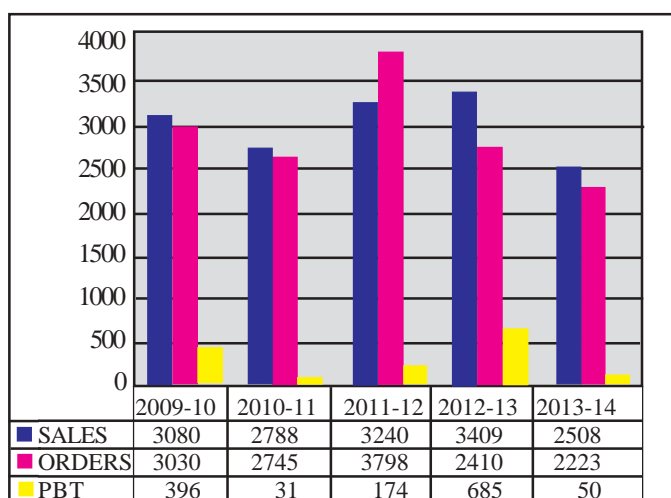
THE MEMBERS,
HMT (INTERNATIONAL) LIMITED,
BANGALORE

Your Directors have pleasure in presenting the Fortieth Annual Report on the business and operations of the Company together with the Audited Accounts of the Company for the Financial Year ended 31st March 2014, report of the Statutory Auditors and the comments thereon by the Comptroller and Auditor General of India.

CORPORATE HIGHLIGHTS

Performance

The year 2013-14 witnessed slight dip in the performance of your Company in terms of sales and orders. The Turnover during the year at gross levels was ` 2508 Lakh as against ` 3409 Lakh recorded in the previous year, i.e. 2012-13. The decline in sales performance during the current year was due to non-finalisation of major project contracts of high value from the Ministry of External Affairs, Government of India. The Order procurement during the year stood at ` 2223 Lakh as against ` 2410 Lakh achieved in the Previous Year. With the Turnover, your Company was able to generate the Profit Before Tax (PBT) at ` 50 Lakh as against Rs.685 Lakh in the Previous Year, thereby continuing the trend of profits. The reduction in Profit during the Year was due to implementation and accounting of 2007 pay scale / wage revision amounting to ` 222 lakh for the employees.



Financial Position

With the consistent profits recorded over the years, your Company is carrying a General Reserve of ` 30.32 Crore and Net worth of ` 31.04 Crore

Product-wise Achievements

Machine Tools

During the year, an order valued Rs.600 lakh for supply of various HMT Machines to Dubai was executed. HMT High speed precision Lathe NH-26/2000 and HMT Heavy Duty Center Lathe L-56/3000 were supplied under this order.

Further, orders valued Rs.630 Lakh are under execution for supply of various HMT and non-HMT machines to Jordan and Middle-East countries. HMT High speed precision Lathe NH-26/1500 and a Kawa KCHP-125T/2500 machine were supplied to Sri Lanka.

Projects & Services

The major thrust area for the Company is the Projects and Services. During the year the Company has successfully implemented the Indo-Myanmar Industrial Training Center (IMITC) project at Myingyan, valued ` 1881 Lakh was handed over to the Government of the Republic of the Union of Myanmar on October 15, 2013.

The Phase-I of the Upgradation & Modernisation of Rajiv Gandhi Polytechnic College of Production & Art (RGCPA), valued ` 346.16 Lakh was completed and inaugurated by Shri Sutanu Behuria, Secretary, Department of Heavy Industry, MHI&PE, Government of India on February 17, 2014.

Advanced Technical training was provided to 85 technical personnel from 14 African countries, valued ` 137 Lakh, during July 2013 in India.

Field studies were conducted for the (a) Up-gradation & Modernization of Turkmen-India Industrial Training Center, valued ` 720 Lakh and (b) for setting up of Vocational Training Center in Cambodia, valued ` 400 Lakh.

Sale of Imports

With a view to give an added thrust to the performance, your Company has sought to increase the portfolio for this business segment by imports on behalf of customers

including HMT Group Companies. During the year, products valued ₹ 607 lakh was imported and supplied, as compared to ₹ 487 lakh supplied during the Previous Year.

Strategies

The Company will focus on high value orders for machine tools in the target markets, Middle East, African countries, etc. and continue to make aggressive marketing efforts. Besides, the Company will continue to follow different marketing strategies to improve the Order book position for which various product-wise strategies have been drawn up.

Another strategy being adopted by the Company is to pursue for Non-MEA (Non Govt Sponsored) Projects and also pursue for more share of the MEA projects by identifying new project opportunities in Countries like Palestine, Indonesia, Myanmar, Tajikistan, Zimbabwe, Sri Lanka, Nepal, Bangladesh, Mangolia, etc.

Marketing efforts

The Company has planned the following sales promotion/ market development initiatives with an intent to increase its market presence:

- To pursue with the manufacturing Units of HMT MTL to upgrade the niche products.
Pursue with MEA for more share in the grant in aid projects
- Focus on high value machine tools in the target markets.
- Enter into tie-ups with machine tool manufacturers in India for exports.
- Pursue Non-MEA Projects and for more share in MEA projects
- Identify fresh project opportunities in Palestine, Mangolia, Myanmar, Tajikistan, Sri Lanka, Nepal, Bangladesh, etc.
- Participating in all global tenders of African countries like Ethiopia, Zimbabwe, etc.
- Tie-up with other Industrial Houses and Agencies to widen the basket for taking up of new projects and build on the expertise gained in the implementation of Vocational Training Center (VTC) projects.

OPERATING RESULTS / FINANCE

Financial Highlights and Appropriations

Particulars	Value in ₹ Lakhs	
	2013-14	2012-13
Sales Turnover		
HMT Products & Technical Services	1102	573
Agency & Others	210	103
Projects & Services	589	2254
Sale of Imports	607	479
Total	2508	3409
Profit Before Tax after Extra Ordinary / Exceptional Items and Prior Period Adjustments	50	685
Earlier years tax expenses	24	-
Income Tax – current year	14	235
Deferred Tax	2	002
Profit After Income Tax	10	448
Balance Brought Forward	1	001
Total	11	449
Appropriations		
Dividend (Including Dividend Tax)	8	17
Transfer to General Reserve	-	431
Balance Carried to Balance sheet	3	1
Total	11	449

Dividend

Considering the levels of profitability achieved during the year, the Board of Directors have recommended for payment of dividend at the rate of 10% (₹ 2/- per equity share), on the paid up equity share Capital of ₹ 72 lakh, subject to tax for the year 2013-14.

The Company has been paying dividend consistently over the years to the Holding Company.

EXPORT AWARDS



During the year, the Company was awarded the prestigious All India Export Award 'Star Performer Award' in the Machine Tools and Parts and Accessories (Medium) Product Group for the year 2012-13 by the EEPC India. The Award was presented by Dr. James Shinuabulo Mutende, Trade & Industry Minister of Uganda at a function in Mumbai on 22nd January 2014. The Company has so far received fifty eight (58) Awards since inception for excellence in export performance.

PERSONNEL & EMPLOYEE RELATIONS

The most important dynamics for business is skilled and committed employees. Human resource is the most important resource for the Company. The significant contribution made by the present and past generation of employees is a tribute to the Company. The total number of employees as on March 31, 2014 stood at 52 (including 6 Scheduled Castes, 3 Scheduled Tribes).

None of the employees were covered under Section 217 (2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended. Hence, the information may be treated as 'NIL' in terms of the said Rules.

The Company aims at continuous up-gradation of skills to ensure that employees at all levels are fully equipped to deliver a wide variety of services to the growing customer base of your Company. Your Company has undertaken a number of training initiatives during the year covering Junior and Middle-level Managers. The programmes for the employees were aimed to refresh the employees with the current business practices, financial matters, export management, and programmes on Corporate Social Responsibility and to promote creativity and innovation. Several employees were also deputed for external training programmes.

VIGILANCE ACTIVITIES

The Company has adopted a pro-active approach to bring vigilance awareness among employees, vendors and customers. A Vigilance Cell is functioning in the Company to keep a watchful eye from the vigilance angle on the overall activities of the Company. System improvement and intensive examination of high value contracts and purchases continued to be the thrust areas for the Vigilance Administration during the year. Important procedures were reviewed and wherever required further simplification has been undertaken for faster and transparent decision-making. Guidelines of the Central Vigilance Commission (CVC) are being complied with / followed by the Company.

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.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS OUTGO AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1958

Particulars with respect to 'conservation of energy and technology absorption' are not furnished since the Company is not engaged in any manufacturing activity.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The details of foreign exchange earned and the outgo thereof is detailed below :

Lakhs			
No.	Particulars	2013-14	2012-13
1.	Foreign Exchange earned		
	FOB value of Exports	1237	602
	Services	-	92
	TOTAL	1237	694
2.	Outgo of Foreign Exchange Expenditure in Foreign Exchange on professional, consultancy fees, interest and other matters	665	598

STATUTORY AUDITORS

M/s K. Channabasappa & Co., Chartered Accountants, Bangalore were appointed by the C&AG as Statutory Auditors of the Company for the financial year 2013-14. Comments by the Comptroller & Auditor General of India on the accounts for the year are given separately.

DIRECTORS

The Ministry of Heavy Industries and Public Enterprises, Department of Heavy Industry, New Delhi vide Presidential Order F.No.5(8)/2010-P.E.X dated 18th December 2013 have conveyed the appointment of Shri Rajesh Kumar Singh, Joint Secretary, in terms of Article No.91 of the Articles of Association of the Company as Part time Official Director of the Company with immediate effect, until further orders vice Shri Harbhajan Singh, Joint Secretary, DHI. Shri Rajesh Kumar Singh retires at the ensuing Annual General Meeting and being eligible for re-appointment at the meeting. Accordingly Shri Rajesh Kumar Singh is proposed for reappointment in terms of Article 91 of the Articles of Association of the Company read with Sections 255, 257 and 262 of the Companies Act 1956.

Further Shri S. Girish Kumar, Managing Director, HMT (International) Limited has been given additional charge of the post of the Chairman & Managing Director of HMT Limited and hence as per practice he is appointed as Chairman on the Board of the Company w.e.f. December 1, 2013.

Shri Udaya Sankar P, Director retires at the ensuing Annual General Meeting and is eligible for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :

- I. that in the preparation of the annual accounts for the financial year ended 31st March 2014, the applicable accounting standards had been followed along with proper explanation relating to material disclosures;
- II. that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;

III. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

IV. that the Directors had prepared the accounts for the financial year ended March 31, 2014 on a 'going concern' basis.

COMPLIANCE CERTIFICATE

In terms of the proviso to sub-section (1) of Section 383A of the Companies' Act, 1956, a Certificate of Compliance for the year ended March 31, 2014 from a Secretary in whole-time practice, is enclosed to this report.

ACKNOWLEDGEMENTS

The Directors are thankful to HMT Limited, the Holding company and its Subsidiaries, various Ministries of the Government of India, especially the Ministry of Heavy Industries & Public Enterprises, Ministry of Commerce, Ministry of External Affairs and Comptroller & Auditor General of India, Principal Director, Commercial Audit, Statutory Auditors, Internal Auditors, ECGC, Reserve Bank of India, the Company's Bankers, Agents and the valued Customers for their continued support and confidence in the Company.

The staff of the Company displayed a high level of commitment and dedication to the pursuit of business growth. The participative and professional work culture has consistently remained a source of strength for the Company. The Directors wish to place on record their appreciation of the contributions made by the employees at all levels for the operations of the Company during the year.

For and on behalf of the Board of Directors

(S. Girish Kumar)
Chairman

Place: Bangalore
Date: 09.07.2014

MANAGEMENT DISCUSSION & ANALYSIS

A. EXPORT SECTOR & STRATEGY

A modest recovery for the growth of Indian economy is expected during the year 2014-15 after the gloomy global economic conditions that prevailed during 2012-13 and 2013-14. The trade data reaffirmed the reversal of negativity and has shown positive growth trajectory due to stability in the global market. India continues to be one of the fastest growing exporters of engineering goods, growing well above the engineering average export growth. Significantly, the country's engineering export growth rate has been higher than its overall exports. The key driver for increased engineering exports has been the shifting of global manufacturing bases to countries such as India that offer lower costs and good engineering aptitude.

The Company has identified Products and Projects as major thrust areas for future growth in turnover. The projects have been implemented on turnkey basis without cost and time overrun that involved supply of machines and equipment, installation & commissioning, training in India in the reputed established institutions and on-the-job training at project site by HMT(I) experts besides technical assistance in management.

The Company has requisite experience and capabilities in the following areas, which are offered to developing and under-developed countries under MEA assisted programmes.

1. Entrepreneur & Technical Development Centre
2. Vocational Training Centers
3. Information Technology Centers
4. Small & Medium Enterprises Development Centre
5. Tool Rooms for Engineering manufacturing establishments
6. Common Facility Centre
7. Workshops/Laboratories for Engineering / Educational Institutions
8. Agricultural Development Projects
9. Setting up of Mineral water projects
10. Lamp chains

In the area of Technical Training, the Company has carved a niche for itself by setting up various Vocational Training Centers, Advanced Training Centers, Entrepreneur Technical

Development Centers and now IT Training Centers geared to meet the technical skill and infrastructural needs of the Country and engineering industry complexes.

TRADING

HMT(I) offers a wide range of bearings, components, workshop equipment, Pumps & Compressors, Laboratory equipment, X ray films and processing chemicals and commodities

Its unique approach has resulted (culminated) in international recognition and a global clientele, underlining its increased reliability and superior quality. HMT International continues to strive in its endeavour of technical advancement in developing world.

B. STRENGTH AND CONSTRAINTS

STRENGTHS

Products

- ❖ Backed up by HMT's strong technological base and formidable resources over the years, the Company has come to be recognised as a reliable source for Machine Tools, Tractors and Watches.
- ❖ Wide experience in exports since three decades.
- ❖ Exported more than 18500 machine tools, 2000 tractors and 14 lakh watches
- ❖ Marketing network in 40 countries and exports to over 75 countries
- ❖ Products are based on technical know-how acquired from world leaders
- ❖ Executed major Agricultural Development Project
- ❖ Keeping in view the technological trend, the Company has been continuously diversifying its activities. The business portfolio has been expanded to include agricultural & industrial commodities, construction materials, computer systems & IT services.
- ❖ Faster after-sales service and spares supply.

Projects & Services

- ❖ Proven experience in a spectrum of engineering fields, covering manufacturing, maintenance and execution

of turnkey projects in the international market. The Company offers a comprehensive package of consultancy, technical and engineering services from concept to commissioning on turnkey basis.

- ❖ Backed by technical and skilled manpower from the Group Companies of HMT.
- ❖ Successfully executed projects in areas not entirely within HMT's domain (Fruit Processing, Dairy, Cashew nut processing, manufacture of Water Meter and Welding Rod).
- ❖ Core competence in execution of Training and Tool room Projects
- ❖ Technically qualified & experienced team for execution of projects

CONSTRAINTS

Products

- ❖ Market reach is limited by resources
- ❖ Lack of competitive edge vis-à-vis low cost countries (China, Taiwan)
- ❖ Re-orienting the Company to global market takes time due to past concentration on Indian market
- ❖ Free access to international market directly by manufacturers and other traders increases competitive pressures
- ❖ Higher interest rates still high in relation to developed countries making our products less competitive
- ❖ More response time for enquiries & tenders due to complex purchase procedures.

Projects & Services

- ❖ Company's core strengths not known adequately abroad
- ❖ Company's network of high level Industrial/commercial contacts not adequate
- ❖ Mainly dependent upon MEA projects
- ❖ Lack of aggressive agents in many countries.

OPPORTUNITIES

Products & Projects

- ❖ New opportunities in engineering and services exports have opened up through globalization

- ❖ Vast opportunity in Africa for medium technology and medium priced goods to replace high technology western goods
- ❖ Presence of Indian managers helps in promotion of Indian exports
- ❖ As protective trade tariffs come down, new opportunities will open up in export of non-traditional goods and services such as machine tools, tractors and agricultural equipment
- ❖ Increasing stress on agriculture in African countries brings large opportunities for export of Tractors and agricultural equipment
- ❖ Stress on industrialization in developing countries opens up market for export of Machinery and engineering and technical services
- ❖ Free trade under WTO regime creates new opportunities

THREATS

- ❖ Non-competitive prices and delivery slippages pose a threat to keeping customers abroad
- ❖ Cumbersome procedures make decision making a difficult and time consuming process
- ❖ Emergence of China and East European manufacturers with aggressive marketing is a major threat to company's exports
- ❖ Tendering of projects by MEA.

D Segment wise / Product wise performance

Product wise Performance: The product-wise sales for the year 2013-14 of the Company is as under-

Sector	Val. Lakhs
Machine Tools	1268
Watches	22
Tractors	24
Projects & Services	587
Trading & sales of Imports	607
Total	2508

E. Outlook

The Company is currently exporting Machine Tools, which forms a small quantum of its business, only to Middle East and African countries. It is necessary for HMT (I) to explore new markets to increase its sales. Indian engineering exports to Saudi Arabia, Thailand, the Netherlands, Malaysia, Bangladesh and Egypt have also seen significant rise in the recent years. South East Asian market is attractive in terms of export of machine tools. This market depends mainly on imports to meet its machine tools equipment demand. Marketing of Machine Tools manufactured by other Indian manufacturers will be considered wherever HMT Machine Tools Limited is not able to meet the technical or commercial requirements. The company would tie-up with export organizations and Companies to widen the basket for marketing project expertise. New opportunities, such as outsourcing of engineering goods and services, new product design, product improvement, and maintenance and designing of manufacturing systems, are providing fresh growth avenues.

F. RISKS AND CONCERNS

- ❑ Steep depreciation of Indian Rupee against US Dollar has adversely affected the market for Machine Tools, Tractors, Watches and Trading activity, which are extremely price sensitive and the Company's already slender margins are eroded.
- ❑ Delays in deliveries and non competitive prices of machine tools
- ❑ Non realization of major orders for projects due to non-compliance of commercial terms
- ❑ New models of watches are required to be offered at competitive prices on regular basis to expand and sustain the markets
- ❑ Higher HP tractors (>75HP) and 4WD versions and wet-brake systems required for exports
- ❑ Elaborate purchase procedures delaying the processing of project procurements.
- ❑ Tendering by MEA instead of nomination in awarding projects.

G INTERNAL CONTROL SYSTEM 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 system are:

- Clear delegation of power with authority limits for incurring capital and revenue expenditure.
- Well laid down corporate policies for accounting, reporting and Corporate Governance.
- Safeguarding assets against unauthorized use or losses or disposition, and ensuring that the transactions are authorized, recorded and reported correctly.
- Process for formulating and reviewing annual/aggregate and long term/ strategic business plans have been laid down.
- Detailed Annual budget giving further break up of monthly targets under various Heads.
- Compliance with Laws and Regulations
- Road Map of the Company made for the next 10 years.

H Financial Performance

The Turnover of the Company during the year 2013-14 is ` 2508 Lakh as compared to ` 3409 Lakh of the previous year. During the year, the Company has generated a profit of ` 50 Lakh as against a profit of ` 685 Lakh during the previous year.

I Human Resources

The manpower of the Company as on 31.03.2014 is 52. The standard force of the company is 71 and young professionals in the areas of Technical, Finance and Human Resources will be inducted during the year 2014-15. The Company aims at continuous upgradation of skills to ensure that employees at all levels are fully equipped to deliver a wide variety of services to the growing customers base of your Company.

The Company has undertaken a number of training initiatives during the year covering Junior and Middle-level Managers. The programmes for the employees were aimed to refresh the employees with the current business practices, financial matters, export management, and programmes on Corporate Social Responsibility.

J CORPORATE SOCIAL RESPONSIBILITY

HMT Group has set up Hospitals, Schools and Playgrounds at various Manufacturing Units for the benefit of employees and the local community. The Company make contributions towards maintenance of these services by HMT, the Holding Company.

A provision of ` 6 Lakh has been budgeted in the Annual Operating Plans of the Company for the year 2014-15.

CORPORATE GOVERNANCE

In compliance with the Guidelines on Corporate Governance for Central Public Sector Enterprises framed by the Department of Public Enterprises, GOI as applicable to Government Companies and as per the applicable provisions

of the Companies act, 1956, 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, 2014, the Board of Directors comprised of Chairman, Managing Director, Director (International Marketing) and two 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 2013-14, 4 (Four) Board Meetings were held on June 5, September 11, December 20, in the calendar year 2013 and on March 27 in the calendar year 2014.

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 Meeting	General Meeting	Directorship	Committee	
					Membership	Chairmanship
S.G.Sridhar	NENI	1	-	Under suspension w.e.f. 15-06-2013		-
Harbhajan Singh	NENI	2	Yes	7	-	-
R. K. Singh	NENI	2	-	4	-	-
S.Girish Kumar	ENI	4	Yes	1	-	-
P.Udaya Sankar	ENI	4	Yes	2	-	-
Sumanta Chaudhuri	NENI	0	-	5	-	-

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

Brief Resume of Directors appointed during the year 2013-14

Shri S.Girish Kumar, the Managing Director of HMT (International) Limited has been assigned the additional charge of the post of Chairman and Managing Director of HMT Limited with effect from December 1, 2013 in place of **Shri Harbhajan Singh, IAS**, Joint Secretary, Department of Heavy Industry who was holding the additional charge of the post of Chairman and Managing Director of HMT Limited from June 15, 2013.

Shri Rajesh Kumar Singh, IAS, Joint Secretary, Department of Heavy Industry has been appointed as Part-time Official Director, with effect from December 17, 2013. Shri R.K.Singh is an IAS officer of 1991 batch. He is B.Tech in Mechanical Engineering & has done masters of Technology in the Thermal Engineering from IIT, Delhi. He has rich and varied experience in the field of Public Administration and Governance issues by virtue of his more than 20 years experience in various Government departments like Land Revenue Management, District Administration, Environment and Forests, Youth Affairs and Sports, Urban Development, Labour and Employment, Human Resource Development, Agriculture and Cooperation, Water Resource etc. He is also a Director on the Board of the Holding Company. He is credited with introducing many innovative Schemes having path breaking results in various districts of Uttar Pradesh and Agricultural Marketing Department of Uttar Pradesh.

Committees of the Board

The Audit Committee of the Company has to be constituted and the Remuneration Committee of the Company to be constituted after the 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 ₹ 1,500/- 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
2010-11	26.08.2011	10.30 A.M	At the Registered Office of the Company
2011-12	17.08.2012	10.30 A.M	—do—
2012-13	12.08.2013	3.00 P.M	—do—

Special Resolution, if any

Annual General Meeting for the current year is scheduled before September 30, 2014 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. There are outstanding Statutory Dues payables by some of the units of the Group Companies which have approached /are approaching the Provident Fund Authorities for settlement in Monthly Installments.

There were no other instances of non-compliance by the Company, penalties, strictures imposed on the Company by statutory authority, or any matter related to any guidelines issued by Government, during the last three years. The Company has not established a whistle Blower Policy for the employees. However, none of the employee has been denied the access up to the senior level management.

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.hmti.com.

COMPLIANCE CERTIFICATE

CIN: U33309KA1974PLC002707

AUTHORISED CAPITAL: ₹ 800 LAKHS

To

The Members

**M/S. HMT (INTERNATIONAL) LIMITED,
BANGALORE.**

I have examined the registers, records, books and papers of **M/S. HMT (INTERNATIONAL) LIMITED**, as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on **31.03.2014** (financial year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid Financial Year:

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this certificate, as per the provision of the Act and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in **Annexure 'B'** to this certificate, with the Registrar of Companies Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under
3. The Company, being a Public Limited Company, has the minimum prescribed paid up Capital.
4. The Company is a Government Company as defined under Section 617 of the Companies Act, 1956. The Board of Directors met **4 times** respectively on **05.06.2013, 11.9.2013, 20.12.2013** and on **27.03.2014** in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
5. The Company was not required to close its register of Members during the Financial Year.
6. The Annual General Meeting for the Financial Year ended on **31.03.2013** was held on **12.08.2013** after giving due notice to the Members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra-ordinary Meeting was held during the Financial Year.
8. The Company has not advanced any loans to its Directors or persons or firms or Companies referred to under the act.
9. The Company being a Government Company the provisions of Section 297(1) of the Act is not applicable.
10. The Company has made necessary entries in the Register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, Members or Central Government, as the case may be.
12. The Company has not issued any duplicate certificates during the financial year.
13. The Company has :-
 - (i) Delivered all the Certificates on lodgment thereof for transfer in accordance with the provisions of the Act.
 - (ii) Paid the amount of dividend declared including interim dividend.
 - (iii) The Company has paid dividends to all the Members within the period of 30 days from the date of declaration
 - (iv) Not applicable

- (v) Duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and appointment of Additional Directors, Alternate Directors and Directors to fill casual vacancy during the year were duly made.
 15. The Company being a Government Company, the provisions of Section 269 of the Act is not applicable.
 16. The Company has not appointed any Sole Selling Agents during the Financial Year.
 17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such authorities prescribed under the various provisions of the Act.
 18. The Directors have disclosed their interest in other firms/Companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
 19. The Company has not issued any Shares, debentures or other Securities during the Financial Year.
 20. The Company has not bought back any shares during the Financial Year.
 21. There was no redemption of preference shares or debentures during the Financial Year.
 22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
 23. The Company has not invited/accepted any deposits within the purview of Section 58A during the Year.
 24. The amount borrowed by the Company from Directors, Members, public, financial institutions, banks and others during the financial year is within the borrowing limits of the Company.
 25. The Company has not made any loans or advances during the financial year.
 26. The Company has not altered the provisions of the Memorandum with respect to Situation of the Company's Registered Office from one State to another during the year.
 27. The Company has not altered the provisions of the Memorandum with respect to the Objects of the Company during the year under scrutiny.
 28. The Company has not altered the provisions of the Memorandum with respect to Name of the Company during the year under scrutiny.
 29. The Company has not altered the provisions of the Memorandum with respect to Share Capital of the Company during the year under scrutiny.
 30. The Company has not altered its Articles of Association during the Financial Year.
 31. There was no prosecution initiated against or show cause notices received by the Company during the financial year, for offences under the Act.
 32. The Company has not received any money as security from its employees during the Financial Year.
 33. The Company has not constituted any separate Trust for its employees and hence the question of deposit of contribution with prescribed authorities pursuant to Section 418 of the Act does not apply.

Sd/-

A. V. Sundaresh

Practicing Company Secretary

C. P. No. 2022

No. 147, Malleswaram Arcade

Margosa Road, Malleswaram, Bangalore - 560 003

Place : Bangalore

Date : 30.05.2014

CIN: U33309KA1974PLC002707

**FORMS AND RETURNS AS FILED BY THE COMPANY WITH REGISTRAR OF COMPANIES,
REGIONAL DIRECTOR, CENTRAL GOVERNMENT OR OTHER AUTHORITIES DURING THE
FINANCIAL YEAR ENDED 31ST MARCH 2014**

ANNEXURE A

Registers as maintained by the Company:-

1. Register of Members
2. Register of Directors
3. Register of Directors Shareholding
4. Minutes of Board Meetings with Attendance Register.
5. Minutes of Annual General Meetings with Attendance Register.

ANNEXURE B

- | | |
|-----------------------------------|---------------------|
| 1. Balance Sheet as on 31.03.2013 | Filed on 20.09.2013 |
| 2. Annual return as on 12.08.2013 | Filed on 26.09.2013 |
| 3. Compliance Certificate | Filed on 22.08.2013 |
| 4. Form 32 dated 17.12.2013 | Filed on 31.12.2013 |
| 5. Form 32 dated 12.08.2013 | Filed on 30.08.2013 |

CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of HMT(International)Limited,

We have examined the compliance of conditions of Corporate Governance by HMT(International)Limited, (“the Company”), for the year ended on 31st March 2014, as stipulated in Guidelines on Corporate Governance for Central Public Sector Enterprises.

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

The full complements of Independent Directors as required under Corporate Governance Guidelines have not been fulfilled and the Audit Committee was not re-constituted.

Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned Guidelines.

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

For K. CHANNABASAPPA & Co.,
Chartered Accountants
Firm’s Regn. No.: 0597S
Sd/-
K. CHANNABASAPPA
Proprietor
Membership No.: 018335

Place: Bangalore
Date : 30-05-2014

DECLARATION BY THE MANAGING DIRECTOR

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

This is to certify that:

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

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

All Board Members, and the Senior Management Personnel have affirmed compliance of the said Code of Conduct, for the year ended March 31, 2014.

(S. Girish Kumar)
Managing Director

Place: Bangalore
Date : 30-05-2014

INDEPENDENT AUDITOR'S REPORT

To
The Members of
HMT (International) Limited
Bangalore.

Report on the Financial Statements

We have audited the accompanying financial statements of **HMT (INTERNATIONAL) LIMITED**, ("the Company"), which comprise the Balance Sheet as on **31st March, 2014**, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have verified the accounts relating to projects i.e., IMITC, Myanmar, IMITC Myingyan, Myanmar, SMES, Zimbabwe, VTC, Batticaloa, Sri Lanka, VTC Nuwara Eliya, Sri Lanka, and RGSPA, Mangolia as at **31st March, 2014**, on the basis of statements, originals or copies of bills, vouchers and other documents made available to us at the Head Office. We have not visited the above projects during our audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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.

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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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:-

- a) In the case of the Balance Sheet of the state of affairs of the Company, as at **31st March, 2014**.
- b) In the case of Statement of Profit and Loss of the **PROFIT** of the Company for the year ended that date. And
- c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that :
 - a. we have obtained all the information and explanations which to the best of our knowledge

- and belief were necessary for the purpose of our audit.
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books [and proper returns adequate for the purposes of our audit have been received from branches not visited by us];
- c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account [and with the returns received from branches not visited by us];
- d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e. being a Government Company, the provisions of section 274(1)(g) is not applicable.
- f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For K. CHANNABASAPPA & Co.,
Chartered Accountants
Firm's Regn. No.: 0597S

Sd/-
K. CHANNABASAPPA
Proprietor
Membership No.: 018335

Place : Bangalore
Date : 30th May 2014

**ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER
“REPORT ON OTHER LEGAL AND REGULATORY
REQUIREMENTS OF OUR REPORT OF EVEN DATE”.**

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets.
b) We are informed that the Company has a procedure for physical verification of Fixed Assets once in three years, the physical verification have been carried out by the management during the year 2013-14, no material discrepancies were identified, as per programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its business.
c) There has been no disposal of substantial part of Fixed Assets during the year.
2. a) The inventory has been physically verified during the year by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.
b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
c) On the basis of our examination of records of inventory, we are of the opinion that the company is maintaining proper records of inventory. No discrepancies noticed on verification between the stocks and the book records.
3. a) As informed, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained U/s.301 of the Companies Act, 1956. Accordingly, sub clauses (a) (b) (c) and (d) are not applicable.
b) As informed, the Company has not taken any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained U/s.301 of the Companies Act, 1956. Accordingly, sub clauses (e) (f) and (g) are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, Fixed Assets and with regard to sale of goods and services. During the course of our audit, no major weaknesses have been noticed in the internal control systems and there is no continuing failure to correct major weakness in the internal control systems.
5. a) in our opinion and according to the information and explanations given to us, there are no transactions that need to be entered in to the register maintained U/s.301 of the Companies Act, 1956.
b) As there are no comments as indicated above, the clause (v) (b) of the Order is not applicable.
6. The Company has not accepted any deposits from the public ; hence in our opinion the provision of Section 58A and 58AA of the Companies Act, 1956 and the rules made there under are not applicable.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of business.
8. Maintenance of cost records under clause (d) of the sub-section (1) of section 209 of the Companies Act, 1956 has not been prescribed for the Company.
9. a) According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues have generally been regularly deposited during the year with the appropriate authorities.

- b) According to the information and explanations given to us, none of the above undisputed statutory dues were outstanding as at 31st March, 2014 for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us, there are no dues in respect of Sales Tax, Income Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess that have not been deposited with the appropriate authorities on account of any dispute, except Income Tax liability of ₹ 135.03 lakhs for the FY. 2010-11 is disputed and not provided for in the accounts, as the appeal is filed before the First Appellate Authority and an amount of ₹ 40.00 lakhs is deposited in this regard.
10. The Company has no accumulated losses as at 31st March, 2014 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. The Company has not availed any loans from financial institution or bank or debenture holders during the year.
12. According to the information and explanations given to us and the documents and records produced before us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, clause 4(xiii) of Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
14. Based on our examination of the records and evaluation of the related internal controls, we are of the opinion that the Company has not dealt in or traded in shares, securities, debentures and other investment. Accordingly, the provisions of the clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
15. The Company has not given any guarantees for loans taken by others from banks or financial institutions.
16. The Company has not availed any term loans during the year.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the Company has not raised any short term loans/funds during the year.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. There are no debentures issued by the Company during the year and hence clause 4 (xix) of the Companies (Auditor's Report) order, 2003 is not applicable to the Company.
20. During the year the Company has not raised money by way of public issues and hence clause 4 (xx) of the Companies (Auditor's Report) order, 2003 is not applicable to the Company.
21. According to the information and explanations given to us, no fraud on or by the Company during the year has been noticed or reported during the course of our audit.

For **K. CHANNABASAPPA & CO.,**
Chartered Accountants
Firm's Regn. No.: 0597S

Sd/-

K. CHANNABASAPPA
Proprietor

Place : Bangalore
Date : 30th May, 2014

Membership No.: 018335

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF HMT (INTERNATIONAL) LIMITED, BANGALORE FOR THE YEAR ENDED ON 31 MARCH 2014

The preparation of financial statements of HMT (International) Limited, Bangalore for the year ended on 31 March 2014 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the Standards on Auditing prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 30 May 2014.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of HMT (International) Limited, Bangalore for the year ended on 31 March 2014. 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 under Section 619(4) of the Companies Act, 1956.

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



**(N. Karunakaran)
Principal Director of Commercial Audit &
Ex-Officio Member, Audit Board,
Hyderabad**

**Place: Hyderabad
Date : 09 July 2014**

ACCOUNTING POLICIES

Basis of preparation of financial statements

The financial statements are prepared as of a going concern, under the historical cost convention, on accrual basis of accounting and in accordance with the provisions of the Companies Act, 1956 and comply with the mandatory Accounting Standards prescribed under Companies (Accounting Standards) Rules, 2006, to the extent applicable.

A. FIXED ASSETS

- i) Own Assets: Fixed Assets are stated at its acquisition cost.
- ii) Assets taken on Financial 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 rentals in respect of operating lease arrangements including assets taken on operating lease are recognized as expense in the Statement of profit & loss on accrual basis.

B. INVENTORY

Inventories are valued at lower of cost or net realizable value.

The diminution in the value of obsolete, unserviceable and surplus stores and spares is ascertained on review and provided for.

C. TRADE RECEIVABLES AND OTHER RECEIVABLES

- i) The provision is made for all Trade Receivables and Other Receivables considered doubtful of recovery having regard to the following considerations:
 - a) Time barred debts from the Government / Government Departments / Government companies are generally not treated as doubtful debts.

- b) Where debts are disputed in legal proceedings, provision is made if any decision is given against the company even if the same is taken up on appeal to higher authorities / courts.

- ii) Provision for bad and doubtful debts is generally made for debts outstanding for more than three years, excepting those which are contractually not due as per the terms of the contract or those which are considered realizable based on a case to case review.

- iii) The debts which are partially settled due to the disputes or court settlement or otherwise including from the Government / Government Department / Government companies are charged off to the Profit & Loss account in the year of settlement.

- iv) The extent of provision required to be made in the books of accounts will be decided on a case to case basis based on the age of the debts after careful review of all related aspects covering the dues.

D. DEFERRED REVENUE EXPENDITURE

Lump sum compensations paid for Voluntary Retirement is charged off in the year of Retirement.

E. INTEREST ON DEFERRED CREDITS

Interest on deferred credits included in the value of promissory notes received/issued are accounted for only to the extent of actual accrual.

F. FOREIGN CURRENCY TRANSLATION

Foreign Currency translations relating to assets and liabilities are treated in the accounts as under:

1 Investment

Investments in ventures outside India are stated at the Rupee cost as on the date of Investment.

2. Current Assets & Liabilities

i) Current Assets:

- a) Debtors and related transactions (like sales, overseas agency commission etc.) are accounted at the rate of exchange prevailing on the date of transaction and adjusted at the closing rate of exchange.

- b) Other Current assets are accounted at the rate prevailing on the date of transaction and adjusted at the closing rates of exchange.

ii) Current Liabilities

- a) Creditors and related transactions (like purchases) are accounted at the rate of predetermined on the date of transaction and adjusted at the closing rates of exchange.
- b) Current liabilities are accounted at the rate of prevailing on the date of transaction and adjusted at the closing rate of exchange.

The net exchange difference resulting from the above translation is recognized in the revenue.

3. Foreign Branches/ Offices/ Projects

The transactions and balances of foreign branches/ offices and projects are translated to Indian Rupees as under:

i) Fixed Assets

- a) In respect of assets held as at 31.03.1991, the assets will be retained at the Rupee value stated in the books as on 31.03.1991.
- b) In respect of assets acquired after 31.03.1991, in the foreign branches and at offices and projects, at the applicable rates of exchange on the date of acquisition.

ii) Inventories

- a) Opening inventories at the opening rates of exchange.
- b) Closing Inventories at the closing rates of exchange.

iii) Depreciation

Depreciation on fixed assets is charged at the applicable rates with respect to costs arrived at as specified in (i) above.

iv) Other transactions

Assets (other than fixed assets & inventories), liabilities, income and expenditure (other than depreciation) are transferred at the closing rates of exchange.

- v) The net exchange difference resulting from the translation of items in the financial statements of foreign branches /offices/ projects is recognized in the revenue.

4. Forward Exchange Contracts

In case of forward exchange contracts, the exchange difference between the foreign currency amount of the contract translated at the exchange rate at the reporting date or the settlement date where the transaction is settled during the reporting period, such gain or loss so computed is recognized in the statement of Profit and Loss for the period. The premium or discount on forward exchange contract is not recognized separately.

The gain or loss arising on the renewal or cancellation of the forward contract is recognized as income or expense for the period.

G. DEPRECIATION

Depreciation on fixed assets is provided on straight line method at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on additions to / deductions from fixed assets during the year is charged on pro rata basis from/upto the date in which the asset is available for use/disposal. Assets costing up to `5000/- are fully depreciated in the year of acquisition. Fully depreciated fixed assets are retained in the books of accounts at the value of Re.1/-

H. WARRANTIES

Warranty provision in respect of goods exported by the company is set up based on the past experience and is provided in the year of sale.

In case, where company accepts additional warranty, beyond the normal warranty period, such contractual obligations is provided in the year of sale on case to case basis.

With regard to turnkey projects implemented by the company, a warranty provision at the rate of 2% of the purchase value will be provided in the books of accounts.

I. REVENUE RECOGNITION

1. The company recognizes revenue from consultancy agreements / contracts using the percentage of completion method of accounting, which involves calculating the percentage of services provided during the reporting period compared with the total estimated services to be provided over the duration of the agreement / contract.
2. The company records transactions as sales where the delivery of the goods and services are complete as per the terms of the contract. In respect of execution of project works awarded by Government of India, under its Aided programme, is accounted based on the goods shipped to the customers and periodical billing for technical services.

J. EMPLOYEES 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 defined benefit scheme based on actuarial valuation.

Gratuity is provided for under a defined benefit scheme, to cover the eligible employees, liability being determined by actuarial valuation conducted by LIC of India and is remitted to the Approved Trust.

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

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

K. INCOME TAX*Current Tax*

Current tax provision is made annually based on the tax liability computed in accordance with provisions of the Income Tax Act 1961.

Deferred Taxes

Deferred tax liability or asset is recognized for timing differences between the profits/losses offered for Income taxes and profits/losses as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the year that includes the enactment date.

Deferred tax assets in respect of losses carried forward are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Other deferred tax assets are recognized only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized and are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

L. EARNINGS PER SHARE

Basic earnings per share is determined by considering the net profit after tax, inclusive of the post tax effect on extraordinary items, if any and the number of shares outstanding on a weighted average basis.

BALANCE SHEET AS AT 31ST MARCH 2014

(₹ in lakhs)

PARTICULAR	Note No.	As at 31-03-2014	As at 31-03-2013
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	B1	72.00	72.00
Reserves and surplus	B2	3,031.93	3,029.99
NON-CURRENT LIABILITIES			
Deferred tax liabilities (Net)	B3	119.15	117.02
Long-term provisions	B4	67.16	40.70
CURRENT LIABILITIES			
Trade paybles	B5	356.06	495.98
Other current liabilities	B6	534.93	658.70
Short-term provisions	B7	225.42	822.64
TOTAL		4,406.65	5,237.03
ASSETS			
NON-CURRENT ASSETS			
Fixed assests			
Tangible assets (Net)	B8	548.93	566.28
Other Non Current Assets	B9	-	-
CURRENT ASSETS			
Inventories	B10	16.01	1.81
Trade receivables	B11	1,123.90	1,156.00
Cash and cash equivalents	B12	2,050.19	2,454.80
Short-term loans and advances	B13	667.62	1,058.14
TOTAL		4,406.65	5,237.03

The accompanying notes are an integral part of the financial statements.

Additional Information to Balance Sheet

B14

Accounting Policies form part of the accounts

For and on behalf of the Board

As per our report of even date
For **CHANNABASAPPA & Co.,**
Chartered Accountants
(Firm Registration No.0597S)

S.GIRISH KUMAR
Chairman

S.GIRISH KUMAR
Managing Director

P. UDAYA SANKAR
Director
(International Marketing)

M. C. ASHOK KUMAR
Asst. General Manager
(Finance)

K. CHANNABASAPPA
Proprietor
M. No. 018335

Place : Bangalore
Date : 30.05.2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31.03.2014

(₹ in lakhs)

PARTICULAR	Note No.	Year ended 31-03-2014	Year ended 31-03-2013
INCOME			
Revenue from operations	P1	2,507.64	3,408.76
Other Income	P2	593.03	1,035.92
TOTAL		3,100.67	4,444.68
EXPENSES:			
Cost of sales, services and works	P3	2,107.27	3,025.93
(Increase) / decrease in inventories of finished goods and stock in trade	P4	(14.20)	39.76
Employees benefits expense	P5	772.74	456.15
Depreciation	B8	17.77	18.60
Finance costs	P6	(7.94)	10.92
Other expense	P7	175.51	208.29
TOTAL		3,051.15	3,759.65
Profit before exceptional / extraordinary items and tax		49.52	685.03
Exceptional / Extraordinary Items		-	-
Profit before tax		49.52	685.03
Tax expense			
Earlier years tax		23.86	-
Current tax		13.17	235.00
Deffered tax		2.13	1.55
Profit for the year		10.36	448.48
Balance brought forwarded from the previous year		1.13	0.39
		11.49	448.87
Proposed Dividend		7.20	14.40
Tax on Dividend		1.22	2.34
Trasfer to General Reserve		-	431
Balance carried to Balance Sheet		3.07	1.13
Earnings per equity Share of ₹ 10/- (nominal value)			
Basic		1.44	95.14
Diluted		1.44	95.14
The accompanying notes are an integral part of the financial statements			
Additional Information to Statement of Profit and Loss	P8		
Accounting Polices form part of the Accounts.			

For and on behalf of the Board

As per our report of even date
For **CHANNABASAPPA & Co.,**
Chartered Accountants
(Firm Registration No.0597S)

S.GIRISH KUMAR
Chairman

S.GIRISH KUMAR
Managing Director

P. UDAYA SANKAR
Director
(International Marketing)

M. C. ASHOK KUMAR
Asst. General Manager
(Finance)

K. CHANNABASAPPA
Proprietor
M. No. 018335

Place : Bangalore
Date : 30.05.2014

NOTES FORMING PART OF BALANCE SHEET

(₹ in lakhs)

Note No.	Particulars	As at 31-03-2014	As at 31-03-2013			
B1	SHARE CAPITAL					
	AUTHORISED					
	8,000,000(previous year 8,000,000) Equity Shares of ₹ 10 each	800.00	800.00			
	ISSUED, SUBSCRIBED & PAID UP :	72.00	72.00			
	720,000 (previous year 720,000) Equity shares of ₹ 10 each held by the Holding Company and its nominee. [Of the above, 500 Shares were allotted as fully paid-up for cash 29,500 Shares were allotted as fully paid - up otherwise than cash and 690,000 Shares were allotted as fully paid-up as bonus shares Reconciliation of shares : 720,000 Enquiry Shares at the beginning and at the end of the year are same.					
		72.00	72.00			
B2	RESERVES AND SURPLUS					
	Particulars	As at	Additions	Withdrawals		
		01.04.2013				
	General Reserve	3028.86	-	-	3,028.86	3,028.86
	Surplus in Statement of Profit and Loss				3.07	1.13
	TOTAL				3,031.93	3,029.99
	NON CURRENT LIABILITES					
B3	DEFERRED TAX LIABILITIES (NET)					
	Deferred tax liabilities arising on account of Depreciation				119.15	117.02
	TOTAL				119.15	117.02
B4	LONG TERM PROVISIONS					
	Earned Leave Encashment				53.42	32.17
	Settlement Allowance				13.74	8.53
	TOTAL				67.16	40.70
	CURRENT LIABILITIES					
B5	TRADE PAYABLES					
	Acceptance, Other than Micro, Small and Medium Enterprises				299.55	362.73
	Micro, small and Medium Enterprises (refer additional note no. 2)				56.51	133.25
	TOTAL				356.06	495.98

NOTES FORMING PART OF BALANCE SHEET

Note No.	Particulars	As at 31-03-2014	As at 31-03-2013
B6	OTHER CURRENT LIABILITIES		
	Due to the Holding Company	34.06	16.87
	Unpaid salaries	398.32	324.56
	Advance received against sales	56.46	281.97
	Employees recovery Remittances	26.54	7.73
	Earnest Money Deposits	3.56	11.21
	Retention Money from Suppliers	12.77	5.17
	Others	3.22	11.19
	TOTAL	534.93	658.70
B7	SHORT TERM PROVISIONS		
	Taxation	38.61	419.58
	Dividend and tax on dividend	8.42	16.74
	Gratuity Premium	32.16	15.75
	Earned Leave Encashment	23.47	16.75
	Settlement Allowance	5.67	3.26
	Provision for contingencies	45.77	254.05
	Provision for warranties	50.53	69.71
	Others	20.79	26.80
	TOTAL	225.42	822.64

NOTES FORMING PART OF BALANCE SHEET B8 FIXED ASSETS

B-8 TANGIBLE ASSETS

(` in lakhs)

DESCRIPTION	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	AS AT 01.04.2013	ADDITIONS	DEDUCTIONS/ ADJUSTMENTS	AS AT 31.03.2014	AS AT 01.04.2013	DEDUCTIONS/ ADJUSTMENTS	FOR THE YEAR	AS AT 31.03.2014	AS AT 31.03.2014	AS AT 31.03.2013
I TANGIBLE ASSETS										
BUILDING	676.75	-	-	676.75	141.68	-	11.03	152.71	524.04	535.07
INTERIOR DECORATION	41.61	-	-	41.61	41.07	-	0.31	41.38	0.23	0.54
FACTORY EQUIPMENT	0.61	-	-	0.61	0.48	-	0.01	0.49	0.12	0.13
FURNITURE, FIXTURES, OFFICE EQUIPMENT & MEASURING INSTRUMENTS	100.70	0.57	0.19	101.08	74.89	0.04	5.88	80.73	20.35	25.81
VEHICLES	15.67	-	-	15.67	10.94	-	0.54	11.48	4.19	4.73
TOTAL	835.34	0.57	0.19	835.72	269.06	0.04	17.77	286.79	548.93	566.28
PREVIOUS YEAR	739.18	101.11	4.95	835.34	255.29	4.83	18.60	269.06	566.28	483.89
NOTE: Quantum of loss due to Impairment of Assests as per AS-28- Nil										

NOTES FORMING PART OF BALANCE SHEET

(` in lakhs)

Note No.	Particulars	As at 31-03-2014	As at 31-03-2013
	NON-CURRENT ASSETS		
B9	OTHER NON CURRENT ASSETS		
	INVENTORIES		
	Non moving Stock-in-trade at lower of cost or net realisable value	46.86	46.86
	Less : Provision for obsolescence	46.86	46.86
	TOTAL	<u>-</u>	<u>-</u>
	CURRENT ASSETS		
B10	INVENTORIES		
	Stock-in-trade at lower of cost or net realisable value	16.01	1.81
	TOTAL	<u>16.01</u>	<u>1.81</u>
B11	TRADE RECEIVABLES		
	UNSECURED CONSIDERED GOOD		
	- Outstanding for a period exceeding six months from the date they are due for payment:	398.09	263.81
	- Outstanding for a period less than six months from the date they are due for payment:	725.81	892.19
	(Includes ` 496.86 lakh due from Group Companies under the same management)		
	TOTAL	<u>1,123.90</u>	<u>1,156.00</u>
B12	CASH AND CASH EQUIVALENTS		
	Cash on hand	-	-
	(a) Balances with banks		
	(i) In current accounts	539.57	594.74
	(ii) In EEFC accounts	1.15	89.61
	(iii) In earmarked accounts	-	-
	Balances held as margin money or security against guarantees and other Commitments	1,281.92	1,719.00
	(b) Others		
	Deposits with less than 3 months maturity	100.00	-
	Deposits with maturity of more than 3 months but less than 12 months	51.55	51.45
	Deposits with maturity of more than 12 months	76.00	-
	TOTAL	<u>2,050.19</u>	<u>2,454.80</u>
B13	SHORT TERM LOANS AND ADVANCES		
	SECURED, CONSIDERED GOOD		
	Advances recoverable in cash or in kind or value to be received	5.92	3.56
	UNSECURED, CONSIDERED GOOD		
	(a) Loans and advances to related parties	430.00	630.00
	(b) Security Deposit	0.05	10.05
	(c) Loans and advances to employees	13.63	10.97
	(d) Prepaid expenses	3.25	4.49
	(e) others	-	-
	Advances paid to suppliers / services providers	7.53	5.65
	Interest accrued on Deposits with Banks	13.28	12.52
	Claims receivables	54.22	53.14
	Export Incentives receivables	15.69	3.63
	Tax Deducted at Source & Advance Tax for current year	37.91	101.79
	Income Tax Refundable for earlier years	46.14	-
	Income Tax Disputed in appeal and paid	40.00	222.34
	TOTAL	<u>667.62</u>	<u>1058.14</u>

NOTES FORMING PART OF BALANCE SHEET

(₹ in lakhs)

Note No.	Particulars	As at 31.03.2014	As at 31.03.2013
B14	ADDITIONAL INFORMATION TO BALANCE SHEET		
1	The company is contingently liable for:		
1.1	Guarantees & Counter Guarantees and Letter of Credits issued to various parties by the Company's bankers.	664.93	699.55
2	Trade Payables		
	Disclosure regarding dues to Micro & Small Enterprises based on the information available with the Company		
	a. Dues to Micro & Small Enterprises remaining unpaid as at the end of the year		
	i. Principal	56.50	133.25
	ii. Interest due thereon	-	-
	b. Amount of interest paid along with the amounts of payment made to the supplier beyond the appointed day during the year.	-	-
	c. Amount of interest due and payable for the period of delay in making the payment (which have been paid but beyond the appointed day during the year but without adding the interest under MSMED Act, 2006.)	-	-
	d. Amount of interest accrued and remaining unpaid as at the end of the accounting period.	-	-
	e. Amount of further interest remaining due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprises	-	-
3	Advances (Long Term / Short Term) include		
3.1	Amount recoverable from employees advances, bonus etc pending adjudication/negotiations	-	0.02
3.2	Adhoc payments to employees towards Wage/Salary, DA arrears, pertaining to 1992 is pending adjustment & provision to this extent has been made in the accounts	10.50	10.50
4	Income Tax liability under dispute & appeal for the FY 2010 - 11 not provided for in books of account.	135.03	-
5	The company has initiated recovery actions against certain Parties viz., Koluthara Exports Ltd., Kerala, Nawab Cashew Packers, Kerala and Nucor Wires Ltd., Bangalore, for non payment of dues / breach of contractual obligations, by initiating Arbitration proceedings and for execution of the Award through the jurisdictional Civil Courts involving an amount of ₹ 116 lakh plus 9% interest from 01.06.2001 to the date of settlement, ₹ 69.23 lakh Plus 18% interest from 03.02.2003 to the date of settlement and ₹ 65.50 lakh from the respective party, and the same are pending in various stages of court process. The Company is hopeful of early recovery of these dues based on the Arbitration Awards / recovery suits, obtained in favour of the Company.		
6	Provision for Taxation has been made under provisions of the Income Tax Act, 1961.		
7	Balances under Trade Receivables, Loans & Advances, Trade Payables are subject to confirmation, although confirmation has been sought in most of the cases.		

NOTES FORMING PART OF PROFIT AND LOSS STATEMENT

(` in lakhs)

Note No.	Particulars	Year ended 31-03-2014	Year ended 31-03-2013
P1	REVENUE FROM OPERATIONS		
	Sale of products	1,896.61	1,501.68
	Technical services	2.07	74.67
	Project sales and services	587.39	1,825.34
	Export assistance	21.57	7.07
	TOTAL	2507.64	3408.76
P2	OTHER INCOME		
	Interest on Deposits with banks (TDS for the year ` 15.52 lakh (Previous year ` 19.03 lakh)	156.19	189.17
	Interest on Inter corporate loan (TDS for the year ` 5.33 lakh (Previous year ` 5.41 lakh)	59.24	66.00
	Interest on advances & others	32.38	39.29
	Bad Debts written off realised now	-	412.97
	Provision no longer required	316.44	246.26
	Profit / (loss) on sale of assets	(0.14)	0.84
	Discount Received	-	0.38
	Miscellaneous income	28.92	81.01
	TOTAL	593.03	1,035.92
P3	COST OF SALES, SERVICES AND WORKS		
	Purchases	1,796.19	2,358.73
	Freight on export	38.57	45.38
	Insurance on exports	3.64	7.03
	ECGC Premium	0.67	0.69
	Clearing, handling and inspection	23.42	34.23
	Agency Commission to agents	-	0.31
	Erection & Commissioning charges	21.18	12.37
	Warrantie	22.87	35.41
	Contingencies	34.14	164.82
	Other expenses (Schedule P7.1)	166.59	366.96
	TOTAL	2,107.27	3,025.93
P4	(INCREASE) / DECREASE IN INVENTORIES OF FINISHED GOODS AND STOCK IN TRADE		
	Finished goods :	-	-
	Opening stock:	48.67	88.43
	Closing Stock:	62.87	48.67
		(14.20)	39.76

NOTES FORMING PART OF PROFIT AND LOSS STATEMENT

(₹ in lakhs)

Note No.	Particulars	Year ended 31-03-2014	Year ended 31-03-2013
P5	EMPLOYEES BENEFIT EXPENSES		
	Salaries, Wages, Bonus and other benefits	622.40	335.90
	House Rent Allowance	21.68	22.49
	Gratuity Premium	32.16	15.75
	Contribution to Provident Fund & Family Pension Scheme	43.71	36.78
	Welfare Expenses	52.79	45.23
	TOTAL	772.74	456.15
P6	FINANCE COSTS		
	Interest Expense	-	0.39
	(Gain)/loss on foreign currency transaction and translation (net)	(7.94)	10.53
	TOTAL	(7.94)	10.92
P7	OTHER EXPENSES		
	Rent	6.14	5.58
	Rates and taxes	0.30	0.36
	Office Maintenance	10.63	9.33
	Printing & stationery	2.11	3.64
	Royalty	2.53	18.89
	Books periodicals & membership fees	2.43	2.86
	Electricity & water	0.33	0.30
	Advertisement & Publicity	3.08	1.91
	Exhibitions	0.30	7.89
	Communication	11.79	13.55
	Audit fee:		
	Statutory audit (including Service Tax)	0.49	0.49
	Tax audit (including Service Tax)	0.15	0.15
	Travelling & Conveyance	46.91	58.11
	Delegation & export promotion	11.67	8.63
	Repairs & Maintenance other than building & machinery	5.43	3.09
	Insurance general	0.12	0.39
	Training, seminars & conference	1.37	0.87
	Vehicle maintenance	1.99	2.02
	Professional and legal charges	1.39	1.50
	Bank charges	8.39	6.37
	Fees for services rendered	3.57	9.18
	Charges paid to Holding Co.	42.26	41.30
	Corporate Social Responsibility (CSR)	3.51	0.42
	Security Charges	5.99	6.10
	Miscellaneous expenses	2.63	5.36
	TOTAL	175.51	208.29

NOTES FORMING PART OF PROFIT AND LOSS STATEMENT

(` in lakhs)

Note No.	Particulars	Year ended 31-03-2014	Year ended 31-03-2013
P7.1	OTHER EXPENSES (COST OF SALES, SERVICES AND WORKS)		
	Printing & stationery	0.74	0.69
	Advertisement & Publicity	-	4.94
	Communication	-	0.55
	Travelling & Conveyance	57.28	64.09
	Delegation & export promotion	6.85	2.85
	Training, seminars & conference	77.06	149.95
	Bank charges	0.88	5.96
	Fees for services rendered	23.68	137.65
	Miscellaneous	0.10	0.28
	TOTAL	166.59	366.96
		Year ended 31.03.2014	Year ended 31.03.2013
P8	ADDITIONAL INFORMATION TO STATEMENT OF PROFIT AND LOSS		
1	Revenue from operations includes Project Works including services executed under an agreement with Government of India against which physical exports have been completed up to 31.03.2014	500.17	1,825.34
2	a) Other Income Includes - Earlier Bad Debts written off realised now (EIC, Ethiopia)	-	412.97
	b) Miscellaneous Income - Old unclaimed advances treated as income	26.74	71.39
3	Employee Benefit expenses include		
	i) Provision for Earned Leave encashment made based on Actuarial valuation of Earned Leave at credit as at the year end	48.62	22.14
	ii) Provision for Settlement Allowance made based on Actuarial Valuation	11.33	1.68
	iii) Gratuity premium paid under Group Gratuity Policy with Life Insurance Corporation of India on the basis of actuarial valuation conducted by the LIC of India.	32.16	15.75
	vi) Payments related to Directors (including Managing Director)		
	Salaries	23.42	18.92
	Provident Fund	2.80	2.08
	Gratuity Premium	1.54	0.86
	Welfare	0.27	0.39
	V) Arrears of pay/wage revision consequent to the implemenation of 2007 pay scales pertaining to the period from 01.04.2012 to 31.03.2013	127.88	-
4	Other expenses include (Travelling and conveyance) Travelling expenses of Directors	25.02	20.04

NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

(` in lakh)

Note No.	Particulars	Year ended 31.03.2014	Year ended 31.03.2013
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5 Additional information required under Part-II of schedule VI to the companies Act,1956

I. Sale of goods				
Imported	34%	607.46	20%	486.58
Indigenous	66%	1,174.53	80%	1,911.91
TOTAL	100%	1,781.99	100%	2,398.49
II. CIF Value of Imports:				
Components & Accessories		607.46		478.53
III. Earnings in Foreign Exchange				
a) FOB Value of Exports		1,237.18		602.22
b) Technical / project services		-		92.19
TOTAL		1,237.18		694.41
IV Particulars of turnover:	Qty. Nos.	VALUE	Qty. Nos.	VALUE
Machine tools, spares & accessories	19	1,850.96	16	1,040.97
Tractors / Automobiles	5	23.64	11	47.44
Watches	2992	22.01	2629	16.64
Project supplies	9	219.36	83	1,427.56
Income from Technical services		370.10		472.45
Trading		-		29.96
Computers & software		-	742	366.67-
Export Incentives		21.57		7.07
TOTAL	3025	2,507.64	3481	3,408.76
The turnover includes Highseas Sales ` . 607.46 (Previous year ` .410.14)				
V Expenditure in Foreign Currency:				
Travelling Expenses (refer sch. P7 & 7.1)		47.33		51.34
Others		617.87		546.95

DICLOSURE REQUIREMENT AS PER ACCOUNTING STANDARD - 15 (REVISED)

The Gratuity has been provided by the Company under a Defined Benefit Plan to cover eligible employees, the liability being determined on actuarial valuation done by LIC using Projected Unit Method. The Company has taken a Policy under Group Gratuity Scheme with LIC and annual contribution are made to the extent required, to the separate Trust constituted and administered by LIC of India for the full coverage.

Gratuity Report under AS-15 (Revised) as reported by LIC of India (Pension and Group Scheme Department) is as here under

(` in Lakhs)

		As on 31.03.2014	As on 31.03.2013
1	Assumption Retirement age Salary Escalation Discount Rate Withdrawal Rate -1to 3% depending on the age Mortality rate- LIC (1994-96) Ultimate	60 Years 7% p.a 8% p.a	60 Years 7% p.a 8% p.a
2	Changes in present value of obligation Present Value of obligation as at the beginning of the year Interest cost Current Service Cost Benefits paid Actuarial (gain) / loss on obligation Present Value of obligation as at the end of the year	363.55 29.08 6.49 (54.07) 22.67 367.72	324.23 25.94 6.72 (3.58) 10.24 363.55
3	Changes in fair value of plan assets Fair value of plan assets at the beginning of the year Expected return of plan assets Contributions Benefits paid Actuarial Gain / (Loss) on Plan assets Fair value of plan assets at the end of the year	354.73 30.75 15.31 (54.07) - 346.72	222.02 27.37 108.92 (3.58) - 354.73
4	Fair value of plan assets Fair value of plan assets at the beginning of the year Actual return on plan assets Contributions Benefits paid Fair value of plan assets at the end of the year Funded status	354.73 30.75 15.31 (54.07) 346.72 21.00	222.02 27.37 108.92 (3.58) 354.73 8.82
5	Actuarial Gain / Loss recognised Actuarial (gain) / loss for the year - obligation Actuarial (gain) / loss for the year - plan assets Total (gain) / loss for the year Actuarial (gain) / loss recognised in the year	(22.67) - 22.67 22.67	10.24 - 10.24 10.24
6	Amounts recognised in the Balance Sheet Present Value of obligation as at the end of the year Fair value of plan assets at the end of the year Funded status Net asset / (liability) recognised in the balance sheet	367.72 346.72 (21.00) 21.00	363.55 354.73 (8.82) 8.82
7	Amount recognised in statement of Profit & Loss Account Current Service Cost Interest Cost Expected return on plan assets Net Actuarial (gain)/loss recognised in the year Expenses recognised in statement of Profit and Loss	6.49 29.08 (30.75) 22.67 27.49	6.72 25.94 (27.37) 10.24 15.53

DISCLOSURE REQUIREMENT AS PER ACCOUNTING STANDARD - 18

- RELATED PARTIES

(` in Lakh)

RELATIONSHIP	FELLOW SUBSIDIARIES				HMT LIMITED, HOLDING COMPANY					
	HMT Machine Tools Limited	HMT Watches Ltd	HMT Bearings Limited		Tractors Unit	Food Processing Unit	Common service Division	Corporate Office		
Description of the nature of transactions	Purchase and Highseas Sales	Purchase and Highseas Sales	Purchases	Inter-Corporate Loan Return	Purchases	Purchases	Maintenance Services	Proposed Dividend	Genera Services	Inter-Corporate Loan Renewal
Value of the transactions	1,268.81	70.57	-	200.00	19.21	38.72	4.13	7.20	42.26	430.00
Other elements of related party transactions necessary for understanding the Financial Statements	No substantial amounts involved during the year				-					-
Balances Outstanding as at year end	385.54 (DR)	17.26(DR)	94.06(DR)	Nil	1.70(CR)	38.72(CR)	0.08(CR)	Nil	6.43(DR)	430.00(DR)
Provision for Doubtful	Nil	Nil		Nil	Nil		Nil		Nil	Nil



DISCLOSURE REQUIREMENT AS PER ACCOUNTING STANDARD - 1

Consequent to the introduction of accounting policies in respect of Trade Receivables & Other Receivables and Forward Exchange Contracts, there would not be any significant impact on account of introduction of said accounting policies as the company was accounting as per the requirements.

SEGMENT REPORTING AS PER ACCOUNTING STANDARD - 17

The company is carrying out the business of export of goods & services and setting up projects overseas, wherein the supply of goods & services are integral part of product as well as projects, consequently the primary business of the company is same during the year. There exists no distinguishable segments to be reported upon.

DISCLOSURE REQUIREMENT AS PER ACCOUNTING STANDARD - 22

- Depreciation	(` in lakh)
Deferred Tax Assets / (Liabilities) as at 01.04.2013	(117.02)
Charged / (credit) during the year	(2.13)
Deferred Tax Assets / (Liabilities) as at 31.03.2014	(119.15)

DISCLOSURE REQUIREMENT AS PER ACCOUNTING STANDARD - 29

- Provisions and Contingent Liabilities (` in Lakhs)

Sl No.	Nature of Provision	Balance as on 01.04.2013	Additions during the year	Used during the year		Balance as on 31.03.2014
				Amount Utilised	Amount withdrawn	
1	Provision for Contingencies	254.05	31.37	4.59	235.06	45.77
2	Provision for Erection & Commissioning	2.72	-	-	2.72	-
3	Provision for Gratuity Premeum	15.75	32.16	15.75	-	32.16
4	Provision for Earned Leave Encashment	48.92	48.62	20.65	-	76.89
5	Provision for Settlement Allowance	11.79	11.33	3.71	-	19.41
6	Provision for Warranties	69.71	22.87	3.39	38.66	50.53
	TOTAL	402.94	146.35	48.09	276.44	224.76

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2014

(` in lakhs)

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and dividend	49.52	685.03
Adjustment for		
Depreciation	17.77	18.60
Profit / Loss on Sale of Fixed Assets	0.13	(0.84)
Interest income (Net)	(247.81)	(294.07)
Operating Profit / (loss) before working capital changes (increase) / decrease in operating assets	(180.39)	408.72
Inventories	(14.20)	39.08
Trade Receivables	32.10	484.70
Short-term loans and advances	390.52	51.31
Cash Generated from Operations	228.03	983.81
increase / (decrease) in operating liabilities		
Trade paybles	(139.92)	(207.35)
Other current liabilities	(123.77)	484.66
Short-term provisions	588.90	131.92
Long-term provisions	26.46	(7.94)
Net Cash flow / (used in) operating Activities (A)	(598.10)	415.78
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(0.57)	(101.11)
Sale of Fixed Assets	0.02	0.96
Income Tax (paid) / refunds	(37.03)	(235.00)
Net Cash used in Investing Activities (B)	(37.58)	(335.15)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(14.40)	(14.40)
Tax on dividend	(2.34)	(2.34)
Interest income (Net)	247.81	294.07
Net cash flow from / (used) financing activities (C)	231.07	277.33
Net Increase / (decrease) in cash & cash equivalents (A+B+C)	(404.61)	357.96
Opening Cash and Cash Equivalents	2,454.80	2,096.84
Closing Cash and Cash Equivalents	2,050.19	2,454.80
Net Increase/(Decrease) in cash & Cash Equivalents	(404.61)	357.96

Notes to the Cash Flow Statement

Cash and Cash Equivalent comprises of cash, bank balance and fixed deposit with Bank

For and on behalf of the Board

 As per our report of even date
 For **CHANNABASAPPA & Co.,**
 Chartered Accountants
 (Firm Registration No.0597S)

S.GIRISH KUMAR
 Chairman

S.GIRISH KUMAR
 Managing Director

P. UDAYA SANKAR
 Director
 (International Marketing)

M. C. ASHOK KUMAR
 Asst. General Manager
 (Finance)

K. CHANNABASAPPA
 Proprietor
 M. No. 018335

 Place : Bangalore
 Date : 30.05.2014