



Hindustan Motors Limited

ANNUAL REPORT
&
ACCOUNTS 2006-2007

HINDUSTAN MOTORS LIMITED

ANNUAL REPORT

Year Ended March 31, 2007

Board of Directors

Shri C. K. Birla	Chairman
Shri Naresh Chandra	
Shri Pradip Kumar Khaitan	
Shri R. Vasudevan	IDBI Nominee
Dr. Anand C. Burman	
Shri Kranti Sinha	
Shri Yogesh Kr. Rastogi	ICICI Nominee
Shri S. C. Jain	
Shri A. Sankaranarayanan	
Shri R. Santhanam	Managing Director

Company Secretary

Shri G. N. Pareek

Bankers

UCO Bank
Bank of India
United Bank of India
Bank of Baroda
State Bank of India

Auditors

Messrs. S. R. Batliboi & Co.
Chartered Accountants

Share Transfer Agents

Karvy Computershare Pvt. Limited
46, Avenue 4, Street No. 1, Banjara Hills
Hyderabad 500 034

Registered Office

'Birla Building', 10th Floor
9/1, Rajendra Nath Mukherjee Road
Kolkata 700 001

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Notice to the Shareholders

NOTICE is hereby given that the Sixty-fifth Annual General Meeting of the Shareholders of HINDUSTAN MOTORS LIMITED will be held at Kolkata Ice Skating Rink, 78, Syed Amir Ali Avenue, Kolkata 700 019, on Monday, the 27th August, 2007 at 3.00 PM to transact the following business:-

AS ORDINARY BUSINESS :

- (1) To receive, consider and adopt the Audited Statements of Account of the Company together with the Directors' Report as also the Auditors' Report thereon for the financial year ended 31st March 2007.
- (2) To appoint a Director in place of Shri Naresh Chandra who retires by rotation and being eligible offers himself for re-appointment.
- (3) To appoint a Director in place of Shri Kranti Sinha who retires by rotation and being eligible offers himself for re-appointment.
- (4) To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**, relating to the appointment of the Auditors of the Company:

"RESOLVED THAT Messrs. S R Batliboi & Co., Chartered Accountants, the retiring Auditors, be and they are hereby re-appointed as Auditors of the Company under Section 224 read with Section 224A and other applicable provisions, if any, of the Companies Act, 1956 to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at a gross remuneration of Rs. 20,00,000/- (Rupees twenty lacs only) per annum exclusive of reimbursement of out-of-pocket expenses, as may be incurred by the Auditors on travelling, boarding and lodging at the Company's factories and its other branches outside Kolkata which shall also be borne by the Company and that the said remuneration be paid to the Auditors in four equal quarterly installments."

AS SPECIAL BUSINESS :

To consider and, if thought fit, to pass with or without modification, the following Resolution :-

- (5) **As a Special Resolution :**

"RESOLVED THAT in terms of provisions of Section 31 of the Companies Act, 1956 and all other applicable provisions of any law for the time being in force and further subject to such provisions and consents as may be needed, the Articles of Association of the Company be altered by deleting the entirety of the existing Article 81 without renumbering the subsequent articles."

Registered Office:
'Birla Building'
9/1, Rajendra Nath Mukherjee Road
Kolkata 700 001
Dated, the 30th May, 2007

By Order of the Board
For HINDUSTAN MOTORS LTD.

G. N. Pareek
Company Secretary

NOTES :

1. **A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.**
2. In terms of Article 155 of the Articles of Association of the Company Shri Naresh Chandra and Shri Kranti Sinha, Directors of the Company retire by rotation in the ensuing general meeting and being eligible offer themselves for reappointment. Brief resume of the Directors, nature of their expertise in specific functional areas and names of companies in which they hold directorship and membership/ chairmanship of Board/Committees, as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges in India, are provided in the Report on Corporate Governance forming part of the Annual Report. The Board of Directors of the Company recommends the respective re-appointments of the aforesaid Directors.
3. Members/ Proxies should bring the enclosed Attendance Slip duly filled in for attending the meeting along with a copy of the Annual Report. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of Board Resolution authorizing their representatives to attend and vote on their behalf of the meeting.
4. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold the shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the meeting.
5. Members who have shareholdings in multiple accounts in identical names or joint accounts in the same order are requested to send all the share certificate(s) to the Registrars & Share Transfer Agents, M/s Karvy Computershare Private Limited at 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500034 for consolidation of all such shareholdings into one account to facilitate better service.
6. The Register of Members and Share Transfer Books of the Company will remain closed from 22nd August, 2007 to 27th August, 2007 (both days inclusive).
7. (a) Members are requested to notify change of address, if any, with PINCODE to the Company or to its Share Transfer Agents quoting reference of their folio number and in case their Shares are held in dematerialised form, this information should be passed on to their respective Depository Participants.

(b) In case the mailing address mentioned in this Annual Report is without the PINCODE, members are requested to kindly inform their PINCODE immediately.
8. A member desirous of getting any information on the accounts or operations of the Company or share/ debenture related matter is requested to forward his/her query(ies) to the Company at least seven days prior to the meeting so that the required information can be made available at the meeting.

9. Individual shareholders can now take the facility of making nomination of their holding. The nominee shall be the person in whom all rights of transfer and/or amount payable in respect of Shares shall vest in the event of the death of the shareholder and the joint-holder(s), if any. A minor can be a nominee provided the name of the guardian is given in the nomination form. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu undivided family, holder of Power of Attorney cannot nominate. For further details in this regard shareholders may contact M/s Karvy Computershare Private Limited, Hyderabad, the Registrar and Share Transfer Agents of the Company.
10. In all correspondence with the Company or with its Share Transfer Agents, members are requested to quote their account/folio number and in case their Shares are held in the dematerialised form, they must quote their Client ID Number and their DPID Number.
11. The Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956, letting out all material facts in respect of Item Nos. 5 and 6 of the Notice are attached.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT

The following Explanatory Statement relating to Special Business at Item No. 5 of the accompanying Notice sets out all material facts as required under Section 173(2) of the Companies Act, 1956:

Item No 5

In line with the present practice prevailing in corporate world it is proposed to do away with the existing practice of holding of qualification shares by directors by deleting Article 81 which reads as follows:-

"Article 81: The qualification of a Director shall be the holding of shares in the Company of the face value of Rs.5,000/- (Rupees Five thousand), in his own name or jointly with others. Provided that an ex-officio Director or an alternate Director or a legal or technical adviser or a Director nominated pursuant to Article 88 of these Articles shall not be required to hold any qualification shares."

Accordingly, your Directors recommend the resolution set out in Item No 5 of the accompanying Notice for your approval.

Except Shri Yogesh Kumar Rastogi, Shri S C Jain, Shri R Vasudevan all other Directors are to be deemed to be interested in the proposed Resolution.

Directors' Report to the Shareholders

Your Directors present their Sixty-fifth Annual Report together with audited accounts of the Company for the year ended March 31, 2007.

Financial Results

During the year under review, the Company's revenue was Rs. 806 Crores compared to Rs. 553 Crores in the last financial year of nine months period. On an annualized basis, the revenue grew by 10%.

The following table gives a summary of performance. The Company's results are not comparable with that of previous financial year as the same was for nine months period.

	(Rupees in Crores)	
	12 month- period ending 31st March 2007	9 month- period ending 31st March 2006
Gross sales and services	806.37	553.05
Profit/(Loss) before Interest, Depreciation, and Taxes	52.75	-10.20
Interest payment	16.73	8.84
Depreciation	23.23	18.00
Profit/(Loss) before Tax	12.79	— 37.04
Provision for Tax	—0.51	6.65
Profit/Loss After Taxation	13.30	—43.69

In terms of a Development Agreement entered by the Company during the year, the Company has transferred a part of its land admeasuring 61.509 acres at Hindmotor by handing over physical possession thereof against payment to the developer, and profit of Rs. 55.75 Crores thereon has been included in the Profit and Loss Account. In terms of the said agreement, the Company will transfer the balance land admeasuring 252.491 acres in 4 more lots in the future periods at predetermined rates, over a period of 24 months. The Company has agreed not to compete with the developer in a similar development either for a period of five years from the date of agreement or three years from the date of the completion of the development of the property, whichever is earlier. As consideration the Company would receive non-compete fee @ 4% of the sale proceeds of the developed property as and when sold by the developer.

There was a debit balance of Rs.86.46 Crores in the Profit and Loss Account, which was brought forward from last year. After considering the results of the

current year, there is a closing debit balance of Rs. 73.16 Crores in the Profit and Loss Account.

A cash flow statement for the year under review is also attached to the enclosed Annual Accounts.

REVIEW OF OPERATIONS

The Company's unit at Uttarpara has been focusing on auto component business and supplying castings, forgings and stampings to other manufacturers. Steps have been taken to modernize the facilities in order to increase its output and reduce costs.

In August 2006, the Company introduced a new model of premium Sports Utility Vehicle from Mitsubishi Motors, Japan under the name of 'Montero'. This product has been received well in the market. The Ambassador cars continued with a steady demand during the year. Sale of automobiles during the year under review consisting of Ambassador, Lancer, Sports Utility Vehicle and other utility vehicles is 13775 nos. compared to 11856 nos. during the previous financial year of nine months period.

The margins in the automobile business remained under pressure due to input cost increases and competitive pressure on selling prices of vehicles. The Company could minimize pressure on margins by way of cost reduction and value engineering measures.

The Company's Remote Services Division, engaged in providing engineering services is confident of stepping up the sales revenue in the near future.

A detailed Management Discussion & Analysis Report (MDAR) forms part of this report as Annexure-1.

Outlook for next year

The sales from range of Passenger Cars, Sports Utility Vehicle, Components and other products should enable the Company to achieve higher sales volume as well as better profitability. The Remote Services Division is planning to focus on Japanese business, which should give better results in the coming year. The Uttarpara unit is focusing on component business and the initiatives taken for ramping up capacity and reducing costs should benefit the Company in the next year. The sale of two lots land at Uttarpara will be made during the next year. With these initiatives, the Company expects the results for the next financial year to be substantially better.

Industrial Relations

Industrial relations generally remained cordial and satisfactory. However, on 13th March 2007, one of the

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five employees' unions of Uttarpara plant went on illegal flash strike. They stopped the movement of both materials and people necessitating declaration of "suspension of work" with effect from 11th April 2007. Based on bipartite settlement between the Management and Unions, the management announced resumption of work from 10th May 2007. Normalcy has been restored since then. Routine wage agreements were signed with the unionized employees for Lancer Car Plant and RTV. Human resources initiatives such as skill level upgradation, training, appropriate reward & recognition systems and productivity improvement continue to be focus area.

Corporate Governance

The Company continues to remain committed for high standards of corporate governance. The report on corporate governance as per the requirement of the listing agreement with stock exchanges forms part of this report as Annexur-2. The certificate from the auditors of the Company confirming compliance of the conditions of the Corporate Governance requirements is also annexed.

Statutory Declaration

The Company has complied with all the Accounting Standards prescribed by The Institute of Chartered Accountants of India along with the recently revised AS 15 which is also explained in the Notes Schedule to the account in Para 21. In terms of the requirement of Section 217 of the Companies Act, 1956, Directors' Responsibility Statement is enclosed as Annexure-3 to this report. The particulars of employees to be disclosed as per the provisions of sub-section 2(A) of the said Section are also given as Annexure-4.

Additional Information relating to conservation of energy, technology absorption, foreign exchange earning and outgo as required under sub-section (1)(e) of the said Section is also given as Annexure-5 to this report.

There has been no material change and commitments affecting the financial position of the Company which have occurred between the end of the financial year 2006-07 and the date of this report.

There has also been no change during the financial year under review in the nature of Company's business or in the Company's subsidiaries or in the nature of business carried on by them.

Auditors

The report by the Auditors and the remarks therein are self-explanatory. The Company is reasonably confident of recovering amounts in respect of certain debts, claims and advances in due course, which are identified as "doubtful" in the accounts and hence no provision has been made in relation thereto. Your Directors request you to re-appoint auditors for another term beginning the conclusion of the ensuing Annual General Meeting till the conclusion of the subsequent Annual General Meeting and approve their remuneration as specified in the proposed resolution attached to the notice.

Subsidiary Companies

The latest accounts of the three wholly owned subsidiary companies, namely Hindustan Motor Finance Corporation Limited, HM Export Limited, Hindustan Motors Limited, USA, are attached to this report.

Directors

During the year under review, Shri Yogesh Kumar Rastogi was nominated as a Director w.e.f. 3rd January 2007 to fill in the casual vacancy caused by withdrawal of nomination of Shri A Karati by ICICI Bank Ltd. as its nominee on Company's Board. The Board places on record its appreciation of the valuable services rendered by Shri Karati during his tenure as Director of the Company. Shri Naresh Chandra and Shri Kranti Sinha retire by rotation and being eligible offer themselves for reappointment.

Appreciation

Your Directors acknowledge and thank the customers, shareholders, business associates, banks and financial institutions for the support extended to the Company. Your Directors also record their appreciation for the commitment and dedication of the employees of your Company.

For and on behalf of the Board of Directors

New Delhi
30th May, 2007

C. K. Birla
Chairman

Annexure-1 to the Directors' Report**MANAGEMENT DISCUSSION & ANALYSIS REPORT****Industry Structure & Development**

During the year under review the overall economy performed well and the GDP registered a growth rate of 9.2% as per the Economic Survey tabled by the Government. The index of industrial production increased by 11.3% in this year compared to 7.8% in the previous year. Sale of Passenger Vehicles in the country grew by 20.7% during the year compared to 7.67% in the immediate preceding year.

The table below summarises the growth in sale of passenger vehicles:

Domestic sales -Nos	12 Month ending 31st March 2006	12 Month ending 31st March 2007	% age increase
Passenger Cars	882208	1076408	22.01
Utility Vehicles	194502	220199	13.21
Multi-purpose Vehicles	66366	83091	25.20
Total Passenger Vehicles	1143076	1379698	20.70

Source: Society of Indian Automobile Manufacturers – Flash Report March 2007

Sale of Company's vehicles during the year was 13775 numbers compared to 11856 numbers in the previous financial year of 9 months.

The Company launched a new model in the premium Sports Utility Vehicle market, branded as "**Montero**" in August 2006. This product was received well in the market. The Company has been continuously bringing out new features and variants in its product range.

The Ambassador Car caters to niche segments in the market and the demand was steady during the year. The Lancer and Cedia are also having steady demand in the market. Demand for Pajero has been on the rise from 2006-07.

Opportunities & Threats

The growth of passenger vehicles during 2007-08 is expected to be in the region of 10-12% lower than of 20.7% achieved in the last year. While GDP Growth is expected to slow down - 8.5% is still a good rate.

However the source of anxiety is the high interest rate for retail finance and consequent impact on retail sales.

As per published report, the potential for growth and export opportunities in the auto component business is substantial. As per estimates, the auto component business has grown by 21% during the last year. In the current financial year, the growth is expected to be around 10-15%. The Company is taking number of initiatives to develop the auto component business for supplying to OEMs and to export markets. There has been some setback in the Company's growth plans due to the recent labour unrest at its Uttarpara plant. However, adequate steps are being taken to develop the auto component business to contribute significantly to the overall revenue of the Company in the coming years.

Financial Performance

The results for the current financial year are for 12 month period and therefore not comparable with those of the previous financial year, which consisted of nine months.

Total turnover of the Company during the year was Rs. 806 Crores against Rs. 553 Crores in the previous financial year. This indicates a growth of 10%, on an annualized basis. The profit before interest, depreciation and taxation for the year was Rs. 53 Crores, including other income of Rs. 82 Crores, which includes profit from sale of immovable properties in the States of West Bengal and Tamil Nadu. The Company is predominantly in automobile and auto component business. The segment-wise results are indicated in the notes schedule to the accounts.

Risks & Concerns

In the normal course of business, the Company is exposed to external risks such as overall demand fluctuations in the market segment in which it operates, relative market share for its products due to

the impact of competition as well as internal risks such as variations in operational efficiency and cost structure. The Company is also exposed to financial risks in the form of foreign exchange fluctuations and interest rate variations. The Company is taking appropriate steps to guard itself against these identified risks.

The Company has put in place a risk management policy to identify the nature and magnitude of risk associated with the Company and to take steps for mitigating the impact of such risks. These are reviewed periodically and placed before the Board.

Internal Control Systems

The Company has established suitable internal control systems, which provide reasonable assurance with regard to safeguarding the Company's assets, promoting operational efficiency and ensuring compliance with various legal and regulatory provisions. The Internal Audit department reviews internal control systems in various business processes and also verifies compliance of the laid down policies and procedures. Reports of the internal auditor are reviewed by the senior management and are also placed before the audit committee of the Directors. The statutory auditors also review their findings with the senior management and the audit committee.

For and on behalf of the Board of Directors

New Delhi
30th May, 2007

C. K. Birla
Chairman

Annexure-2 to the Directors' Report

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on Corporate Governance

The Company's philosophy on Corporate Governance has been developed with a tradition of fair and transparent governance and disclosure practices, many of which were in existence even before they were mandated by legislation. Transparency, integrity, professionalism and accountability- based values form the basis of the Company's philosophy for corporate governance. The Company strives to improve the corporate governance practices to meet stakeholders' expectations and strictly complies with regulatory guidelines on corporate governance.

2. Board of Directors

(a) Composition of Board

As on date the Board of Directors of the Company consists of ten Directors out of which nine i.e., 90% are Non-Executive Directors as against the minimum requirement of 50% as per Clause 49 of the listing agreement. The Non-Executive Directors are eminent professionals, drawn from amongst persons with experience in business & industry, finance & law. The Company has a Non-Executive Chairman. The composition of Board of Directors is as follows:-

Name of Directors	Category	No. of other Directorships	No. of other Board Committee(s) of which he is a member*	No. of other Board Committee(s) of which he is a Chairman
Shri C K Birla – Chairman	Promoter – Non Executive	12	-	-
Shri Pradip Kumar Khaitan	Not Independent – Non Executive	13	2	-
Shri A Sankaranarayanan	Independent* - Non Executive	4	1	1
Dr. Anand C Burman	Independent – Non Executive	12	2	1
Shri Kranti Sinha	Independent – Non Executive	4	6	3
Shri Yogesh Kr. Rastogi	Independent – Non Executive – ICICI Nominee	1	-	-
Shri R Santhanam	Managing Director	-	-	-
Shri Naresh Chandra	Independent –Non Executive	14	9	-
Shri R. Vasudevan	Independent –Non Executive – IDBI Nominee	6	2	1
Shri S C Jain	Independent –Non Executive - LIC Nominee	2	-	-

*includes the membership / chairmanship only of Audit Committee(s) and Shareholders' / Investors' Grievances Committee

Shri A Karati had ceased to be a Nominee Director of ICICI and Shri Yogesh Kr. Rastogi was appointed as Director as a nominee of ICICI w.e.f. 03.01.2007.

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None of the Non-Executive Directors of the Company has any pecuniary relationship or transactions with the Company, except Mr. Pradip Kumar Khaitan, Director of the Company, who is a partner of M/s Khaitan & Co., the Company's Solicitors and Advocates.

* Shri A Sankaranarayanan has become independent director w.e.f. 24.05.2007 upon completion of three years since he ceased to hold any executive position in the Company.

(b) Board Meetings

During the twelve month period ended 31st March 2007, four meetings of the Board of Directors were held on 27th April 2006, 28th July 2006, 26th October 2006 and 25th January 2007. The attendance of the Directors in these meetings was as follows:

Name of the Director	Board Meetings		Last Annual General Meeting
	Held	Attended	If Attended
Shri C K Birla	4	4	Yes
Shri Pradip Kumar Khaitan	4	3	Yes
Shri A. Sankaranarayanan	4	3	Yes
Dr. Anand C Burman	4	2	No
Shri Kranti Sinha	4	4	Yes
Shri A Karati (Nomination withdrawn by ICICI w.e.f. 03.01.2007)	4	3	Yes
Shri Naresh Chandra	4	4	Yes
Shri R Vasudevan	4	4	Yes
Shri S C Jain	4	4	Yes
Shri R Santhanam	4	4	Yes
Shri Yogesh Kr. Rastogi (ICICI Nominee w.e.f. 03.01.2007)	4	-	No

(c) Shareholding of Non-Executive Directors

As on 31.03.2007 number of shares held by all Non-Executive Directors were as follows :-

Name of Non-Executive Directors	No. of Shares held on 31.03.2007
Shri C K Birla	6000
Shri A Sankaranarayanan	1300
Dr. Anand C Burman	1000
Shri Naresh Chandra	500
Shri Kranti Sinha	500
Shri Pradip Kumar Khaitan	500

3. Audit Committee

- (a) The Audit Committee of Directors was constituted as far back as on 15.05.1987. However, the terms of reference of the Audit Committee were expanded by the Board of Directors of the Company at its meetings held on 25.1.2000, 31.8.2000, 29.1.2005 and once again on 27.04.2006 in terms of the provisions of revised Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

- (b) The composition of the Audit Committee as on date is as follows:

- Shri Naresh Chandra, Chairman
- Shri Kranti Sinha
- Shri Yogesh Kr. Rastogi (w.e.f. 03.01.2007 in place of Shri A Karati)
- Shri R. Vasudevan
- Shri S. C. Jain
- Shri A. Sankaranarayanan
- All members are Non-Executive and Independent Directors. Three of the members are nominees of Financial Institutions.
- Shri Naresh Chandra, Chairman of the Audit Committee was present at the Annual General Meeting held on 28-07-2006 to reply to shareholders' queries.

The Audit Committee provides an overview on the reporting process of the Company's financial and accounting mechanism and ensures that disclosures in its financial statements are correct, sufficient and credible.

The Committee reviews the efficacy of the internal control mechanism and monitors the risk management policies adopted by the Company. The Committee also reviews the report furnished by the internal and statutory auditors and ensures that suitable follow-up actions are taken. Besides, the Committee also examines accounting, taxation and disclosure aspects of all significant transactions.

- At the invitation of the Committee, the Chief Internal Auditor, Executive Vice President (Corporate Finance), the Chief Financial Officer, the statutory Auditor and the Secretary of the Company who is acting as Secretary to the Audit Committee also attended the Audit Committee Meetings to answer and clarify the queries raised at the Committee Meetings.
- (c) During the twelve month period ended 31st March 2007 four Audit Committee Meetings were held on 27th April 2006, 28th July 2006, 26th October 2006 and 25th January 2007 and the attendance of the Audit Committee Members was as under:-

Audit Committee Meetings

Name of the Audit Committee Members	Held	Attended
Shri Naresh Chandra	4	4
Shri R Vasudevan	4	4
Shri Kranti Sinha	4	4
Shri A Karati	4	3
Shri A Sankaranarayanan	4	3
Shri S C Jain	4	4
Shri Yogesh kr. Rastogi	1	-

- Shri A Karati had ceased to be a Nominee Director of ICICI w.e.f. 03.01.2007 and Shri Yogesh Kr. Rastogi was appointed in his place.

4. Executive Committee of Directors

The Board of Directors had constituted an Executive Committee of Directors consisting of the following members:

1. Shri Pradip Kumar Khaitan – *Chairman*
2. Shri A Sankaranarayanan

The Executive Committee meets as and when necessary to attend to urgent business and is empowered to do all such acts, deeds and things, which are delegated to it by the Board. No meeting of the Executive Committee was required to be held during the twelve month period under review.

5. The Shareholders'/Investors' Grievances Committee

The present composition of the Shareholders'/Investors' Grievances Committee is as follows:

Name	Nature of Directorship	Membership
Shri Naresh Chandra	Independent and Non-Executive Director	Chairman
Shri Pradip Kumar Khaitan	Not- Independent and Non-Executive Director	Member
Shri R. Vasudevan (IDBI Nominee)	Independent and Non-Executive Director	Member
Shri A. Sankaranarayanan	Independent and Non-Executive Director	Member
Shri R Santhanam	Executive Director	Member

* Shri A Sankaranarayanan has become independent director w.e.f. 24.05.2007 upon completion of three years since he ceased to hold any executive position in the Company.

Shri G N Pareek, Secretary of the Company is designated as the Compliance Officer.

The Committee oversees the performance of M/s Karvy Computershare Pvt. Limited, the Registrars and Share Transfer Agents of the Company and recommends measures to improve the level of investor related services. Though the powers to approve share transfer/share transmission are delegated to the Registrars and Share Transfer Agents, all the share transfer/ transmission cases approved by the Registrars are reported to the Committee which also keeps a close watch on disposal status of all complaints/grievances of shareholders. During the period under review, 155 complaints were received by the Company / Registrars and Share Transfer Agents from shareholders and / or through regulatory bodies. Except for two complaints forwarded by SEBI, no other complaint was pending as on 31st March 2007. There were no share transfer applications pending for registration as on 31st March 2007 except 29 applications for 5014 shares under cover of 508 certificates which were under Sellers' Notice cases.

Complaints received during the twelve month period ended 31st March 2007 by the Company and the Registrars and Share Transfer Agents of the Company.

Nature of Complaints	No. of Complaints	
	Received	Attended to
Non-receipt of Share Certificates	85	83
Non-receipt of Dividend Warrants	20	20
Non-receipt of Certificates against Allotment Letters	44	44
Non-receipt of Stickers	0	0
Non-receipt of redemption amount	3	3
Non-receipt of Annual Report	3	3
Miscellaneous	0	0

6. Remuneration Committee

The Board of Directors of the Company at their meeting held on 14.3.2003 constituted a Remuneration Committee of Directors mainly for the purpose of recommending the Company's policy on Remuneration Package for the Managing/Executive Directors, reviewing the structure, design and implementation of remuneration policy in respect of such directors and approving, reviewing and evaluating Employees' Stock Option Plan.

The composition of the Remuneration Committee as on the date of the report is as follows :-

1. Shri Naresh Chandra – Chairman
2. Shri Pradip Kumar Khaitan – Member
3. Shri R Vasudevan - Member

The Secretary of the Company acts as the Secretary of the Committee .

During the period under review, no meeting of the Remuneration Committee was held.

In so far as the Managing Director is concerned, the Company pays remuneration by way of salary, perquisites and allowances (fixed components) within the range approved by the shareholders and subsequently approved by the Central Government. The annual increments effective 1st April of each year as recommended by the Remuneration Committee are also paid. The ceiling on perquisites and allowances is as fixed by the Remuneration Committee.

7. Special Committee of Directors

The Board of Directors of the Company at its meeting held on 25th January 2007 had constituted a Special Committee of Directors comprising of Sarvashree Naresh Chandra and Pradip Kumar Khaitan for the limited purpose of finalizing the development programme / sale of the Company's land at Uttarpara. During the period under review only one meeting of such committee of Directors was held in which both the members were present.

8. Corporate Risk Management Committee

The Board of Directors of the Company at its meeting held on 28th July 2006 had constituted a committee known as Corporate Risk Management Committee comprising of the Managing Director and six number of officers to ensure that risks as identified in the Risk assessment and minimization policy of the Company are controlled through a properly defined framework. During the period under review three meetings of such committee were held on 3rd August 2006, 5th December 2006 and 7th March 2007.

9. Remuneration paid to Directors during the financial period ended 31st March 2007**Non-Executive Directors***(Amount in Rs.)*

Name	Sitting fees for attending Committee and Board Meetings
Shri C K Birla	40,000
Shri Pradip Kumar Khaitan	40,000
Dr. Anand C Burman	20,000
Shri Kranti Sinha	80,000
Shri A Karati	60,000
Shri Naresh Chandra	90,000
Shri R. Vasudevan	80,000
Shri S C Jain	80,000
Shri A Sankaranarayanan	60,000
Shri Yogesh Kr. Rastogi	Nil

HINDUSTAN MOTORS LIMITED

Executive Directors	<i>(Amount in Rs.)</i>
Shri R Santhanam, Managing Director	
Salary* and allowances	43,72,000
Benefits	3,55,777
Bonuses	10,00,000
Stock Option	Nil
Contribution* to :-	
(i) Superannuation Fund	3,78,000
(ii) Provident Fund	3,02,400
Total =	64,08,177

* does not include contribution to Gratuity Fund and taxable value of perquisites

Notes:

- 1) Apart from making payment of sitting fee for attending the Board/Committee meetings and defraying expenses for attending such meetings and other travelling expenses incurred wholly and exclusively in attending to Company's work, no remuneration in any form is paid to Non-Executive Directors.
- 2) M/s Khaitan & Co., Solicitors of the Company of which Shri Pradip Kumar Khaitan is a Partner renders professional services to the Company upon receipt of fee.
- 3) The employment of the Managing Director is contractual in nature and is terminable by either side on three months' notice or pay in lieu thereof.

10. General Body Meetings

Nature of the General Meeting	Date	Venue	If Special Resolution(s) passed
Meetings held in the last three years Annual General Meeting	28-07-2006	Kolkata Ice Skating Rink 78, Syed Amir Ali Avenue Kolkata-700019.	No
Annual General Meeting	26-10-2005	-do-	No
Annual General Meeting	20-09-2004	-do-	Yes

11. Disclosures

There are no materially significant transactions with the related parties that may have potential conflict with Company's interest at large.

There were no cases of non-compliance, no penalties or strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

The Company complies with all mandatory requirements and one non-mandatory requirement of Clause 49 of Listing Agreement viz. constitution of Remuneration Committee of Directors.

12. Means of Communication

Subject	Details
Half-yearly report sent to each household of shareholders.	Since the Company's unaudited quarterly results including half yearly results are published in newspapers and also displayed on the Company's website, the same were not sent to each household of shareholders.
Quarterly results – Which newspapers normally published in	The Financial Express – All India publications. Aajkal (Bengali version) – Kolkata Edition
Any website, where displayed	www.hindmotor.com
Whether it also displays official news release and presentations made to institutional Investors/Analysts	Yes
Whether MD&A is a part of Annual Report	Yes. The same is as per Annexure 1 to the Directors' Report.

13. General shareholder information

Annual General Meeting Date & time Venue	27th August 2007 at 3.00 p.m. Kolkata Ice Skating Rink, 78, Syed Amir Ali Avenue, Kolkata – 700 019.								
Financial Calendar for F.Y.2007-08	<table> <tr> <td>a. 1st Quarterly Results</td><td>On or before 31.07.2007</td></tr> <tr> <td>b. 2nd Quarterly and half yearly Results</td><td>On or before 31.10.2007</td></tr> <tr> <td>c. 3rd Quarterly Results</td><td>On or before 31.01.2008</td></tr> <tr> <td>d. 4th Quarterly and yearly audited Results</td><td>On or before 30.06.2008</td></tr> </table>	a. 1st Quarterly Results	On or before 31.07.2007	b. 2nd Quarterly and half yearly Results	On or before 31.10.2007	c. 3rd Quarterly Results	On or before 31.01.2008	d. 4th Quarterly and yearly audited Results	On or before 30.06.2008
a. 1st Quarterly Results	On or before 31.07.2007								
b. 2nd Quarterly and half yearly Results	On or before 31.10.2007								
c. 3rd Quarterly Results	On or before 31.01.2008								
d. 4th Quarterly and yearly audited Results	On or before 30.06.2008								
Date of Book closure	22.08.2007 to 27.08.2007 (both days inclusive)								
Dividend Payment	In view of the cumulative debit balance in the profit & loss account after taking into account the results for the period under review, there did not arise any occasion for the Board of Directors to consider recommending any dividend on the equity shares of the Company.								
Listing on Stock Exchanges	<p>The Calcutta Stock Exchange Association Ltd. 7, Lyons Range, Kolkata 700 001 Tel: 91-33-2220 9366/ 1488, Fax : 91-33-2210 4486 / 4492</p> <p>Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001; Tel: 91-22-2272 1233/ 1234 Fax: 91-22-2272 3677</p> <p>National Stock Exchange of India Ltd. "Exchange Plaza", Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051 Tel: 91-22-2659 8100 / 5641 8100 Fax: 91-22-2659 8237 / 38</p>								
Stock code	<table> <tr> <td>The Calcutta Stock Exchange</td><td>1000012</td></tr> <tr> <td>Bombay Stock Exchange Ltd.</td><td>500500</td></tr> <tr> <td>National Stock Exchange of India Ltd.</td><td>HINDMOTOR</td></tr> </table>	The Calcutta Stock Exchange	1000012	Bombay Stock Exchange Ltd.	500500	National Stock Exchange of India Ltd.	HINDMOTOR		
The Calcutta Stock Exchange	1000012								
Bombay Stock Exchange Ltd.	500500								
National Stock Exchange of India Ltd.	HINDMOTOR								

HINDUSTAN MOTORS LIMITED

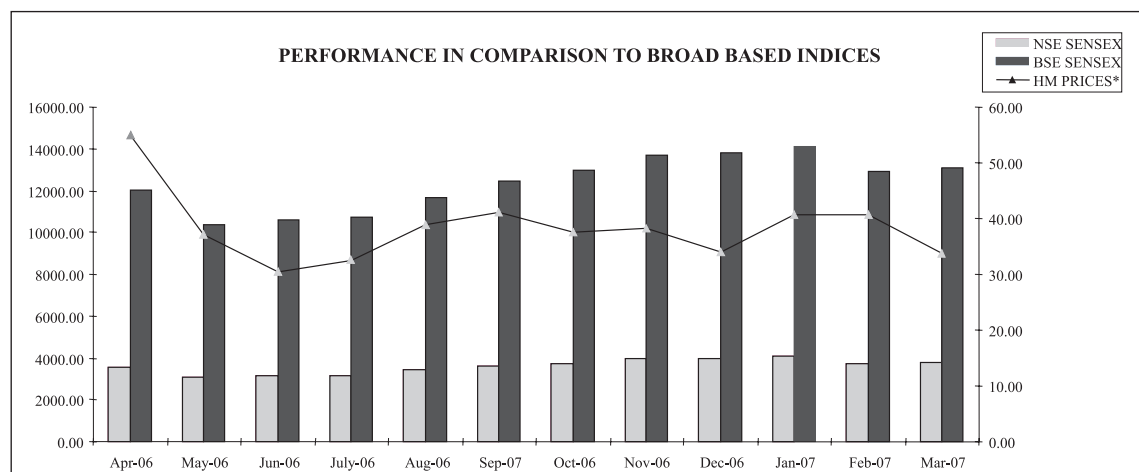
Market Price Data

The Company's shares are listed on The Calcutta Stock Exchange Association Ltd., Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd. The monthly high and low quotations of shares traded during the twelve month period ended 31st March 2007 are as below :

Month	CSE		BSE		NSE	
	High	Low	High	Low	High	Low
April-06	NIL	NIL	58.30	39.00	58.20	39.00
May-06	NIL	NIL	61.20	33.90	61.20	33.80
June-06	NIL	NIL	39.00	25.20	38.50	25.15
July-06	NIL	NIL	32.80	25.25	32.80	25.10
August-06	37.80	32.00	44.10	31.00	44.10	30.75
September-06	NIL	NIL	43.95	38.00	44.00	38.15
October-06	41.50	41.50	42.20	36.90	42.10	37.00
November-06	39.00	39.00	43.35	34.55	43.30	34.60
December-06	NIL	NIL	40.90	32.60	41.00	32.80
January- 07	NIL	NIL	41.80	34.00	41.65	34.10
February – 07	NIL	NIL	46.40	35.00	46.40	35.10
March - 07	NIL	NIL	42.45	33.15	42.40	33.05

HM's share price movement in comparison to broad-based indices

A graphical presentation is as follows:-



The Registrar and Share Transfer Agents of the Company

M/s Karvy Computershare Pvt Limited
"Karvy House"
46, Avenue 4, Street No.1
Banjara Hills,
Hyderabad 500 034
Tel: 040 2330 4703 / 2332 3031 Fax: 040 2332 3056/58

Share Transfer System

Shares sent for physical transfer, if the documents are clear in all respects, are generally registered within an average time period of 5 days from the date of receipt of the request. The Authorized Officers of the Registrars and Share Transfer Agents meet as often as required. During the twelve month period ended 31st March 2007, 308055 shares in physical form were transferred and the transfer process was completed within an average time period of 7 days from the date of lodgement unless notices were required to be sent to the Registered Owners in certain identified categories of cases.

The Distribution of Shareholding as on 31st March 2007

No. of Shares	Shareholders		Shares	
	Numbers	%	Numbers	%
1 - 500	98575	81.97	18134202	11.25
501 - 1000	11473	9.54	9695266	6.02
1001 - 2000	5143	4.28	8045158	4.99
2001 - 3000	1676	1.39	4349120	2.70
3001 - 4000	697	0.58	2541740	1.58
4001 - 5000	830	0.69	3989729	2.48
5001 - 10000	1020	0.85	7732725	4.80
10001 - 20000	435	0.36	6308100	3.91
Above 20000	403	0.34	100375953	62.28
TOTAL	120252	100.00	161171993	100.00

Category of Shareholders as on 31st March 2007

Sl.No.	Category	No. of Holders	% of Holders	No. of shares	% of shareholding
1	Promoters (Including PAIC's)	35	0.03	47140024	29.25
2	Resident Individuals	115942	96.41	65569083	40.68
3	Private Corporate Bodies	2617	2.18	21552449	13.37
4	Financial Institutions	12	0.01	10592051	6.57
5	Nationalised Banks & Mutual Funds	76	0.06	8472885	5.26
6	FII's	19	0.02	4467244	2.77
7	NRIs & OCBs(Including CEP)	1311	1.09	3264361	2.03
8	Foreign Companies/Non-residents (Non-Indian)	240	0.20	113896	0.07
9	Pending confirmation from Depository	0	0.00	0	0.00
	Total	120252	100.00	161171993	100.00

Dematerialisation of Equity Shares and Liquidity

The Company's shares are currently traded only in dematerialised form at three stock exchanges viz. NSE, BSE & CSE. To facilitate trading in dematerialised form, the Company has tied up arrangements with both the present depositories, i.e. National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd. (CDSL). Shareholders can open account with any of the depository-participants registered with any of these depositories. As on 31st March 2007, about 91.5 % of the Company's shares were held in dematerialised form.

None of the Company's shares are under lock-in period for any purpose.

HINDUSTAN MOTORS LIMITED

Plant Locations (Manufacturing Units)

Address	Items produced
1. Uttarpara Division (UTP) Hindmotor Dist. Hooghly, West Bengal – 712 233	Ambassador, Trekker, Components, and Spare parts.
2. Chennai Car Plant (CCP) Adigathur Kadambathur – 631 023 Tiruvallur Dist., Tamil Nadu	Lancer Car and Spare parts. <u>Pajero sports utility vehicle</u>
3. Road Trusted Vehicle Plant (RTV) Pithampur, Sector III Sagore – 455 774 District Dhar (Madhya Pradesh)	Road Trusted Vehicle (RTV) <u>multi-utility vehicle and spare parts.</u>

CEO Declaration on Code of Conduct

Reproduced is the text of the declaration made by the CEO cum Managing Director confirming compliance of Code of Conduct by all Directors and Senior Management personnel:-

May 21, 2007

The Board of Directors
Hindustan Motors Limited
9/1 R N Mukherjee Road
Kolkata 700 001

Dear Sir

I hereby confirm and declare that all the Directors of the Company and all Senior Management personnel as defined in the Code of Conduct of the Company have submitted annual declarations confirming their compliance of the same.

Thanking you

Yours faithfully
For Hindustan Motors Limited
Sd/-
R Santhanam
CEO and Managing Director

Address for Correspondence

- For matters related to shares
M/s Karvy Computershare Pvt Limited
"Karvy House"
46 Avenue 4, Street No. 1
Banjara Hills, Hyderabad 500 034
Telephone No : (040) 2332 3031
E-mail : ymahesh@karvy.com
- For queries/assistance on issues other than shares (including those related to financial statements) :
Mr G N Pareek
Company Secretary
Hindustan Motors Ltd
9/1, R N Mukherjee Road
Kolkata - 700 001
Telephone No : (033) 2242-0932
E-mail : gnpareek@hindmotor.com
- For share transfer/transmission requests
Any of the local branches of Karvy Computershare Pvt. Ltd., a list of which can be had from Karvy's aforesaid address or from the office of the Company Secretary.

Details of Directors seeking reappointment at the ensuing Annual General Meeting:

Name of Director	Shri Naresh Chandra	Shri Kranti Sinha
Date of birth	01.08.1934	28.12.1942
Date of appointment	24.07.2002	15.12.2003
Qualification	M.Sc., I.A.S. (Retired)	M. A.
Nature of expertise in specific functional areas	Retired civil servant who had served in various capacities including as Cabinet Secretary, Govt. of India and the Chief Secretary, Govt. of Rajasthan and having vast experience in diversified fields like Industries and Mines, Power Finance, Agriculture, Home Affairs, Water Resources and Defence. After retirement, served as Senior Advisor to the Prime Minister, Governor of Gujarat and Ambassador of India to the U.S.A. Recently chaired Committee on Corporate Governance norms and Audit practices. In January 2007 he was awarded "Padma Vibhushan", by the Hon'ble President of India.	Retired senior executive of Public Sector undertaking and having varied experience in business.
Names of directorship in other companies	<ol style="list-style-type: none"> 1. Bajaj Auto Ltd. 2. Balrampur Chini Mills Ltd. 3. Associated Cement Companies Ltd. 4. Electro Steel Castings Ltd. 5. Linde Process Technologies India Pvt. Ltd. 6. Vedanta Resources Plc.London. 7. T C S Ltd. 8. Avtec Ltd. 9. Cairn India Ltd. 10. Great Offshore Ltd. 11. VIS Legis Consult Pvt. Ltd 12. G4S Corporate Services (India) Pvt. Ltd. 13. Scholar Investment Real Estate Fund 14. TransIndia Aviation Pvt. Ltd. 	<ol style="list-style-type: none"> 1. India Infoline Ltd. 2. Gremach Infrastructure Equipments & Projects Ltd. 3. Cinemax (India) Ltd. 4. The Global Institute for Financial & Education Services India Private Ltd.
Names of committees of other companies in which the director is a member.	<ol style="list-style-type: none"> 1. Audit Committee of Cairn India Ltd. 2. Shareholders'/Investors' Committee of Cairn India Ltd. 3. Audit Committee of Balrampur Chini Mills Ltd. 4. Shareholders'/Investors' Committee of Bajaj Auto Ltd. 5. Audit Committee of Bajaj Auto Ltd. 6. Audit Committee of Associated Cement Companies Ltd. 7. Audit Committee of Electro Steel Castings Ltd. 8. Audit Committee of TCS Ltd. 	<ol style="list-style-type: none"> 1. Audit Committee of India Infoline Ltd. 2. Chairman, Investors Grievance & Share Transfer Committee of India Infoline Ltd. 3. Chairman, Audit Committee of Cinemax (India) Ltd. 4. Chairman, Investors Grievance & Share Transfer Committee of Cinemax (India) Ltd. 5. Audit Committee of Gremach Infrastructure Equipments & Projects Ltd. 6. Investors Grievance & Share Transfer Committee of Gremach Infrastructure Equipments & Projects Ltd.
No. of shares held in the Company	500	500

The above report was placed before and approved by the Board at its Meeting held on 30th May, 2007.

For and on behalf of the Board of Directors

New Delhi
30th May, 2007

C. K. Birla
Chairman

AUDITORS' CERTIFICATE

To
The Members of Hindustan Motors Limited

We have examined the compliance of conditions of corporate governance by HINDUSTAN MOTORS LIMITED, for the year ended on 31st March 2007, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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 the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above—mentioned Listing Agreement.

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.

S. R. BATLIBOI & COMPANY

Chartered Accountants

per **R.K. AGRAWAL**

a Partner

Membership no. 16667

Place : New Delhi
30th May, 2007

Annexure-3 to the Directors' Report

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors confirms that :

- A In the preparation of the annual accounts, for the period ended 31st March 2007, all the applicable accounting standards prescribed by the Institute of Chartered Accountants of India have been followed.
- B The Directors have adopted such accounting policies and have applied them consistently and have made judgements and estimates 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 loss of the Company for that period.
- C The Directors have 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.
- D The Directors have prepared the annual accounts on a going concern basis.

For and on behalf of the Board of Directors

New Delhi
30th May, 2007

C. K. Birla
Chairman

Annexure - 4 to the Directors' Report

Information Under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 (As Amended) and forming part of the Directors' Report for the year ended 31.03.2007.

- A) Employed throughout the financial year and were in receipt of Gross remuneration in aggregate of not less than Rs.2400000/- p.a.

Name / (Age)	Designation / Nature of Duties / Experience	Gross Remuneration (Rs.)	Net Remuneration (Rs.)	Qualification	Date of Commencement of Employment	Particulars of Last Employment. Employer / Last Post Held / No. of Years-Months.
Santhanam R (53)	Managing Director (29)	6408177	4242807	B.Tech. P.G., Dip(Mgmt)	21.04.2004	Mahindra Holiday Resorts Ltd./ Managing Director / 03
Eric Paul Rajendran (48)	Executive Vice President (24)	3205997	2237292	P.G. in Personnel Mgmt.	20.04.1998	Nagarjuna Fertilizers & Chem.Ltd./Group GM(HR)/04
Chowdhury Moloy (52)	Executive Vice President—UTP (29)	3068281	2084425	B. E. (Mech)	20.01.2006	Govind Rubber Ltd./Director Operation/01-08
Vijay Kumar YVS (43)	Vice President —CCP (19)	3555150	2513876	B. E., MBA	16.01.2006	Delphi, Noida / Vice President /01

- B) Employed for a part of the financial year and were in receipt of Gross remuneration in aggregate of not less than Rs.200000/- p.m.

Gupta S C (60)	Vice President —CCP (39)	2739698	2118881	B.Com, PGDIRPM	03.10.1966	None
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Gross remuneration includes actual payments and /or taxable value of perquisites and Company's contribution to provident and superannuation funds (excluding gratuity and other parting benefits).

Net remuneration is arrived at by deducting from the gross remuneration, income tax, Company's contributions to provident and superannuation funds, and the monetary value of non-cash perquisites wherever applicable.

Nature of employment - Non contractual except Mr. R Santhanam.

Other terms and conditions are as per rules of the Company.

UTP denotes Automobile Division, Uttarpara Plant (Hindmotor)

CCP denotes Automobiles Division, Chennai Car Plant (Tiruvallur)

None of above employees is related to any of the Directors of the Company.

For and on behalf of the Board of Directors

New Delhi
30th May, 2007

C. K. Birla
Chairman

Annexure - 5 to the Directors' Report

[Additional information given as required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.]

A. ENERGY CONSERVATION

A. I. Important measures taken :

At UTP Division :

- a. Load has been shifted to minimize max demand from 11500 KVA to 11000 KVA by :
 1. application of power capacitor at different sub-stations;
 2. reducing Horse Power of small motors;
 3. monitoring the peak load of different sub-stations;
 4. revamping of pack gas carburizing furnace at heat treatment shop; and
 5. Running of Sealed quench furnace at full load.
- b. Water consumption inside the plant has been reduced from 2200 m3/day to 1900 m3/day through proper water management.
- c. Power factor has continued to be maintained at 0.98.
- d. Power consumption for compressed air has been maintained at the level of 17000 KWH/day by :
 1. Arresting leakage;
 2. Increasing compressor efficiency; and
 3. Running compressor on demand

At CCP Division :

- a. Introduction of energy efficient FRP fan in place of Aluminum fan in compressor cooling tower
- b. Use of Gravity flow in place of electrical pump to transfer treated water for gardening
- c. Replacement of V belt with flat belt for better efficiency in ETP blower motors
- d. Incentive for maintaining power factor and planning of production operation during non peak hours

At RTV Division :

- a. Load has been shifted to minimize maximum demand from 1000 KVA to 600 KVA by :
 - 1) Application of power capacitor bank at substation
 - 2) Monitoring peak load of substation
- b. Power factor is continued to be maintained at 0.98 –0.99
- c. Proper planning of Production department done in economic batch size specially for Body shop and Paint shop

A. II. Impact of above energy conservation measures :

i) Total savings (for all the divisions)	:	Rs. 55.66 lacs
ii) Energy saving per unit of output at		
a. UTP Division	:	Rs. 490.43
b. CCP Division	:	Rs. 174.00
iii) Energy saving against total cost of energy at		
a. UTP Division	:	4.26 %
b. CCP Division	:	2.24 %

B. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

B. I. In-house major research & development (R&D)

B. IA At UTP Division

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

- a. 100 % introduction of 1500 Diesel 5s model of Ambassador with EGR

- b. Introduction of Disc brakes in all the Ambassador models to increase safety

2. Benefits derived as a result of above efforts are :

- a. Compliance of regulatory norms/requirements
- b. Continuous product upgradation with contemporary features

3. Future plan of action :

- a. Conformance of forthcoming safety regulations
- b. Introduction of Ambassador MY'07 model
- c. Introduction of 1.5 DSL BSIII Electronic Injection system
- d. Introduction of new product

B. IB At CCP Division

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

- a. Introduction of upgraded Pajero model.
- b. Development of Cedia with bi-fuel option (LPG & Petrol)
- c. Introduction of new product Montero through CBU route
- d. Product upgradation of Lancer & Cedia
- e. Introduction of factory fitted bi-fuel option for Lancer (CNG & petrol)

2. Benefits derived as a result of above efforts are :

- a. Compliance of regulatory norms/requirements
- b. Market sustainability through new product launch
- c. Continuous product upgradation with contemporary features

3. Future plan of action :

- a. Conformance of current and forthcoming CMVR.
- b. Introduction of new models like Montero, Outlander and other Mitsubishi models.
- c. Upgradation of features of current products.

B. IC At RTV Division

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

- a. Introduction of new Ambulance with improved styling ergonomics & looks.
- b. Introduction of new Cargo & Pickup with improved styling ergonomics & looks BS-III compliant CNG vehicle.
- c. Introduction of Passenger & Ambulance model with Turbo Diesel Engine
- d. Implementation of HLLD facilitated Head Lamps in all Models.

2. Benefits derived as a result of above efforts are :

- a. Compliance of regulatory norms/requirements.
- b. Continuous product upgradation with contemporary features.
- c. Market sustainability of the product and new product launch.

3. Future plan of action :

- a. Introduction of Pickup & Cargo with Turbo BS-II Engine.
- b. Implementation of Brake with auto adjuster for all models.
- c. Implementation of full FRP front Facia.

B.II The expenditure incurred for R&D during the year was :

(For all the divisions taken together)

Capital Expenditure	:	Rs.13.20 lacs
Recurring	:	Rs.187.29 lacs
Total	:	Rs.200.49 lacs
Percentage of Turnover	:	0.32%

HINDUSTAN MOTORS LIMITED

B.III Technology imported during the last 5 years :

Technology for	Year of Import	Technology Source / Consultant	Has technology been fully absorbed?	If not fully absorbed, areas where this has not taken place, reason therefor and future plan of action
Mitsubishi Pajero 2800 GL & GLX	2002	Mitsubishi Motor Corporation, Tokyo, Japan	Technology for in-house manufacturing has been fully absorbed	Localisation of chassis parts not taken up due to low volumes.
Mitsubishi Lancer with 1800 cc Gasoline Engine and Automatic Transmission	2002	-do-	Technology for in-house manufacturing has been fully absorbed	Localisation of exclusive chassis parts not taken up due to low volumes.
Mitsubishi Cedia ELEGANCE & SPORTS	2005	-do-	Technology for in-house manufacturing has been fully absorbed.	Localisation of chassis parts not taken up due to low volumes.
Mitsubishi Lancer with 1600 cc Gasoline Engine	2006	-do-	Technology for in-house manufacturing has been fully absorbed.	Localisation of chassis parts not taken up due to low volumes.
Mitsubishi Montero	2006	-do-	Technology for CBU route has been fully absorbed.	NA

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the financial year under review the FOB value of exports of goods by the Company aggregated to Rs.309.96 lacs as against the corresponding figure of Rs.85.33 lacs for the nine-month period 31st March 2006.

The RTV Division has plan to export 40 Nos. of vehicles to Bangladesh and Sri Lanka for an aggregate value of Rs.160 lacs. They are for the first time exploring African market for export of an estimated 25 number of RTV vehicles at an estimated FOB value of Rs.100 lacs. UTP plans to export vehicles through Company's wholly owned subsidiary of an estimated value of Rs.45 lacs.

During the financial year ended 31st March, 2007 the Company has imported raw materials, components / spare parts and capital goods for an aggregate CIF value of Rs.14953.44 lacs (against a corresponding figure of Rs.7209.60 lacs for the 9-month period ended 31st March, 2006). The Company has also incurred expenditure in foreign currency towards Royalties, Technical know-how fees, Interest and other expenses aggregating to Rs.124.11 lacs (against a corresponding figure of Rs.152.84 lacs for the 9-month period ended 31st March, 2006).

For and on behalf of the Board of Directors

New Delhi
May 30, 2007

C K Birla
Chairman

Annexure - 6 to the Directors' Report

[Disclosure of particulars of persons constituting "Group" pursuant to Regulation 3(1)(e)(i) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997] :-

National Bearing Company (Jaipur) Ltd., Bengal Rubber Co. Ltd., Bengal Stores Ltd., Central India Industries Ltd., Gwalior Finance Corporation Ltd., Hindustan Discounting Co. Ltd., India Silica Magnesite Works Ltd., National Engineering Industries Ltd., Ranchi Enterprises & Properties Ltd., Soorya Vanijya & Investment Ltd., Universal Trading Co. Ltd., Birla Brothers Pvt. Ltd., Shankar Holdings Ltd., Amer Investments (Delhi) Ltd., Hitaishi Investments Ltd., Jaipur Development Co. Ltd., Shri Ganga Prasad Birla, Shri Chandra Kant Birla, Shri Pradip Kumar Khaitan, Shri A. Sankaranarayanan, Shri Naresh Chandra, Shri Anand C Burman, Shri Kranti Sinha, Shri Raja Gopalan Santhanam, Shri Jagdish Prasad Chhaochharia, Shri O P Chharia, Shri S P Singhi, Jaipur Finance & Dairy Products Pvt. Ltd., Shekhavati Investment and Traders Ltd., UCO Bank A/c Birla Education Trust, Shri S S Jajodia and Shri P C Agarwala.

For and on behalf of the Board of Directors

New Delhi
May 30, 2007

C K Birla
Chairman

AUDITORS' REPORT
TO THE MEMBERS OF
HINDUSTAN MOTORS LIMITED

We have audited the attached Balance Sheet of HINDUSTAN MOTORS LIMITED, as at 31st March, 2007 and the Profit & Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 (as amended), issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that: -

- (i) 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;
- (ii) in our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of such books;
- (iii) the Balance Sheet, Profit & Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account as submitted to us;
- (iv) on the basis of written representations received from the directors as on 31st March, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as director in terms of clause (g) of sub-section(1) of Section 274 of the Companies Act, 1956.
- (v) in our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement have been drawn up in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- (vi) *attention is drawn to Note No.19 on Schedule 21 regarding non-provision of doubtful / disputed debts, claims and advances aggregating to Rs.889.86 lacs.*

Had the impact of item no (vi) above been considered, the profit for the year would have been Rs.439.78 lacs (after adjusting the impact of Rs.833.69 lacs for earlier years/periods) as against the reported profit of Rs.1329.64 lacs and the Profit & Loss Account Debit Balance would have been Rs.8205.85 lacs, as against the reported figure of Rs.7315.99 lacs. Similarly, because of the above, the loss during the previous period ended 31st March 2006 would have been Rs.5202.82 lacs as against the reported loss of Rs.4369.13 lacs and the Profit & Loss Account Debit Balance would have been Rs.9479.32 lacs as against the reported figure of Rs.8645.63 lacs.

In our opinion and to the best of our information and according to the explanations given to us, the said Statements of Account, *subject to para (vi) above* and read together with the Notes appearing on Schedule 21, give the information required by the Companies Act, 1956 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 Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
- b) in the case of Profit & Loss Account, of the profit of the Company for the year ended on that date; and
- c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Place : New Delhi
May 30, 2007

S. R. Batliboi & Company
Chartered Accountants
Per **R. K. Agrawal**
a Partner
Membership No. 16667

Annexure to the Auditors' Report

(Referred to in our Report of even date to the members of Hindustan Motors Limited as at and for the Year ended 31st March, 2007)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of such verification in a phased manner to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification during the year.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. As informed, no material discrepancies were noticed on such physical verification.
- (iii) As informed to us, the Company has not given any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clauses (iii) (a) to (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable.
As informed to us, the Company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clauses (iii) (e) to (g) of the said Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that some of the items purchased are of a special nature and alternate sources do not exist for obtaining quotations thereof, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register maintained under the above section, have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees five lakhs entered into during the financial year, are at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) As informed, the Company has not accepted any deposits from the public.
- (vii) The Company has an internal audit system which, in our opinion, is commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that *prima facie*, the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company has been regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues with the appropriate authorities *though there had been delays in few cases*.

HINDUSTAN MOTORS LIMITED

- (b) According to the information and explanations given to us, there were no undisputed dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other statutory dues which were outstanding, at the Balance Sheet date, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding in respect of income tax, sales tax, customs duty, wealth tax, service tax, excise duty, cess, etc. on account of any dispute, are as follows :

Name of the Statute	Nature of Dues	Amount (Rs. in lacs)	Period to which the amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Disputes on account of : Classification, CENVAT Credit, Assessable value, Differential Excise Duty, etc.	491.49	1984-2006	Assistant/Deputy/Additional Commissioner, Commissioner, Commissioner (Appeals) and Appellate Tribunal
The Central Sales Tax Act, 1956	Disallowance of Waiver on turnover availed on car sales due to non-achievement of Bench -Mark, Stock Transfer, Non-submission of C Forms, etc.	592.94	1989-2004	Deputy/Additional Commissioner, Appellate Deputy Commissioner, Tribunal Benches and High Court of Chennai
West Bengal Sales Tax Act, 1994	Non-submission of C Forms etc.	7.26	2002-04	Deputy Commissioner
Tamil Nadu Sales Tax Act, 1959	Disallowance of Waiver on turnover availed on car sales due to non-achievement of Bench -Mark, Additional Sales Tax, etc.	19.56	1988-99	Tribunal Bench and High Court, Chennai
The Customs Act, 1956	Disputes on account of : Classification, Duty on inclusion of technical know-how fees on imported goods, import of Engines, Short Levy, etc.	151.74	1990-2006	Assistant/ Deputy Commissioner, Commissioner Appeals & Appellate Tribunal

- (x) The Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth. The Company has not incurred cash losses in the current financial year, *however it had incurred cash loss in the immediately preceding financial period.*
- (xi) *Based on our audit procedures and as per the information and explanations given by the management, the Company has defaulted in repayment of dues to financial institutions and banks during the year, the details whereof are as follows :-*

Period of Default	Amount (Rs in lacs)
Less than 30 days	2970.59
30 to 90 days	964.67

- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the said Order are not applicable.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the said Order are not applicable.
- (xv) According to the information and explanations provided to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) Based on the information and explanations furnished to us by the management, term loans were applied for the purpose for which these were obtained.
- (xvii) According to the information and explanations given to us and on overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

Place : New Delhi
May 30, 2007

S. R. Batliboi & Company
Chartered Accountants
Per **R. K. Agrawal**
a Partner
Membership No. 16667

HINDUSTAN MOTORS LIMITED

Balance Sheet as at March 31, 2007

	Schedule	Rupees in lacs March 31, 2007	March 31, 2006
SOURCES OF FUNDS			
A. SHAREHOLDERS' FUNDS			
a. Share Capital	1	16125.68	16125.68
b. Reserves & Surplus	2	1528.95	1643.91
		<u>17654.63</u>	<u>17769.59</u>
B. LOANS	3		
a. Secured		12320.77	11602.42
b. Unsecured		6601.80	4498.10
		<u>18922.57</u>	<u>16100.52</u>
		<u>36577.20</u>	<u>33870.11</u>
APPLICATION OF FUNDS			
A. FIXED ASSETS	4		
a. Gross Block		48730.03	47952.55
b. Less: Accumulated Depreciation		30162.74	28027.76
c. Net Block		18567.29	19924.79
d. Capital work-in-progress		180.32	32.90
		<u>18747.61</u>	<u>19957.69</u>
B. INVESTMENTS	5	7061.37	7024.87
C. CURRENT ASSETS, LOANS & ADVANCES			
a. Inventories	6	10276.20	8586.78
b. Sundry Debtors	7	3866.47	5132.64
c. Cash and Bank Balances	8	6326.36	887.36
d. Other Current Assets	9	485.73	573.98
e. Loans & Advances	10	4600.33	4497.31
		<u>25555.09</u>	<u>19678.07</u>
D. LESS: CURRENT LIABILITIES & PROVISIONS	11		
a. Current Liabilities		20497.82	19966.23
b. Deferred Payment Liabilities		655.84	970.23
c. Provisions		969.03	734.10
		<u>22122.69</u>	<u>21670.56</u>
NET CURRENT ASSETS		<u>3432.40</u>	<u>(1992.49)</u>
E. MISCELLANEOUS EXPENDITURE	12	19.83	234.41
(To the extent not written off/adjusted)			
F. PROFIT & LOSS ACCOUNT DEBIT BALANCE		7315.99	8645.63
		<u>36577.20</u>	<u>33870.11</u>

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 21
Schedules 1 to 12 and 21 referred to above form an integral part of the Balance Sheet

In terms of our attached Report of even date.

S.R.Batliboi & Company

Chartered Accountants

Per **R.K. Agrawal**

a Partner

Membership No.16667

Camp : New Delhi

May 30, 2007.

Yogesh Goenka
Chief Financial Officer
G. N. Pareek
Secretary

As Approved,
For and on behalf of the Board of Directors

C. K. Birla

Chairman

R. Santhanam
Managing Director

Profit & Loss Account for the Year ended March 31, 2007

	Schedule	Rupees in lacs	
		2006-2007 (12 Months)	2005-2006 (9 Months)
INCOME			
Sales & Services	13	80637.01	55304.67
Less: Excise Duty		13890.05	9664.51
Sales Tax & Value Added Tax		<u>4132.89</u>	<u>2960.96</u>
		62614.07	42679.20
Other Income	14	8161.41	1420.93
		<u>70775.48</u>	<u>44100.13</u>
EXPENDITURE			
Decrease / (Increase) in Stocks	15	(615.11)	103.08
Excise duty on Stocks (Refer Note No.12 on Schedule 21)		96.44	38.44
Raw Materials and Components Consumed	16	44556.79	32480.45
Purchase of Vehicles for Trading		4237.85	—
Stores & Spares Consumed		1613.50	1187.53
Fuel & Electricity (Net)		1615.12	1260.58
Payments to and Provisions for Employees	17	6849.55	5082.52
Other Expenses	18	7076.70	4918.56
Directors' Remuneration		69.55	48.82
		<u>65500.39</u>	<u>45119.98</u>
PROFIT/(LOSS) BEFORE INTEREST, DEPRECIATION & TAXATION		<u>5275.09</u>	<u>(1019.85)</u>
Interest	19	1673.14	884.53
Depreciation	20	2323.31	1799.91
		<u>3996.45</u>	<u>2684.44</u>
PROFIT / (LOSS) BEFORE TAXATION		1278.64	(3704.29)
Provision for Taxation			
Current Tax		285.00	582.20
MAT Credit Entitlement (Refer Note No.7 on Schedule 21)		(395.00)	—
Fringe Benefit Tax		59.00	83.00
Excess Provision for Taxation Written Back		—	(0.36)
		<u>(51.00)</u>	<u>664.84</u>
PROFIT / (LOSS) AFTER TAXATION		1329.64	(4369.13)
Add / Less: Investment Allowance Reserve Written Back		—	112.02
Loss Brought forward from Previous year		8645.63	4388.52
Loss Carried to the Balance Sheet		<u>7315.99</u>	<u>8645.63</u>
Earning per share - Basic and Diluted (Rs.)		0.82	-2.71

(Refer Note No.17 on Schedule 21)

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 21

Schedules 13 to 21 referred to above form an integral part of the Profit & Loss Account

In terms of our attached Report of even date.

S.R.Batliboi & Company

Chartered Accountants

Per **R.K. Agrawal**

a Partner

Membership No.16667

Camp : New Delhi

May 30, 2007.

Yogesh Goenka
Chief Financial Officer
G. N. Pareek
Secretary

As Approved,
For and on behalf of the Board of Directors
C. K. Birla
Chairman

R. Santhanam
Managing Director

Cash Flow Statement for the year ended March 31, 2007

	March 31, 2007 (12 Months)	Rupees in lacs March 31, 2006 (9 Months)
(A) CASH FLOW FROM OPERATING ACTIVITIES:		
NET PROFIT / (LOSS) BEFORE TAXATION	1278.64	(3704.29)
ADJUSTMENTS FOR:		
Depreciation	2323.31	1799.91
Deferred Revenue Expenditure	214.58	502.16
Interest Expenses (Net)	1615.55	863.01
Financial Lease Rentals	10.11	6.44
Foreign Exchange Loss/ (Gains)(Net)	163.39	(6.72)
Profit on Fixed Assets Sold/Discarded	(7342.44)	(667.42)
Dividend Income	(128.88)	(22.86)
Surplus on Sale of Investments	-	(186.96)
OPERATING PROFIT / (LOSS) BEFORE WORKING CAPITAL CHANGES	(1865.74)	(1416.73)
Increase / (Decrease) in Trade Payables	154.72	(73.50)
Decrease/ (Increase) in Trade & Other Receivables	1577.44	(291.55)
Decrease/(Increase) in Inventories	(1689.42)	(634.87)
CASH GENERATED FROM OPERATIONS	(1823.00)	(2416.65)
Add: Direct Tax Refund (Paid)/received (Net)	(170.65)	(578.90)
NET CASH FLOW FROM OPERATING ACTIVITIES	(1993.65)	(2995.55)
(B) CASH FLOW FROM INVESTING ACTIVITIES:		
Sale of Fixed Assets	7639.10	787.51
Dividend Received	128.88	22.86
Proceeds from Sale of Investments	-	218.65
Purchase of Fixed Assets	(1501.13)	(1395.67)
Repayment of Finance Lease Liability	(10.11)	(6.44)
Investment in Associate & other Companies	(36.50)	(0.04)
NET CASH FLOW FROM INVESTING ACTIVITIES	6220.24	(373.13)
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Net Increase /(Decrease) from other borrowings	2822.26	(474.89)
	2822.26	(474.89)
Repayment of Long Term Loans	(0.66)	-
Interest Paid (Net of Interest Received)	(1609.09)	(926.67)
Dividend Paid (for earlier years)	-	(2.02)
Payment to Investor Protection Fund	(0.10)	(63.07)
NET CASH USED IN FINANCING ACTIVITIES	1212.41	(1466.65)
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	5439.00	(4835.33)
* CASH & CASH EQUIVALENTS - OPENING BALANCE	887.36	5722.69
	6326.36	887.36
* CASH & CASH EQUIVALENTS - CLOSING BALANCE	6326.36	887.36
* Represents Cash and Bank Balances as indicated in Schedule 8.		
** Includes Rs. 2.00 lacs (Rs. 2.10 lacs) lying in unpaid Dividend /Debenture interest Account and Rs. 5886.74 lacs (Rs.16.39 lacs) in Fixed Deposits with Banks.		

In terms of our attached Report of even date.

S.R.Batliboi & Company

Chartered Accountants

Per **R.K. Agrawal**

a Partner

Membership No.16667

Camp : New Delhi

May 30, 2007.

Yogesh Goenka
Chief Financial Officer
G. N. Pareek
Secretary

As Approved,
For and on behalf of the Board of Directors

C. K. Birla

Chairman

R. Santhanam
Managing Director

Schedules to the Balance Sheet

		Rupees in lacs	
		March 31, 2007	March 31, 2006
SCHEDULE 1 : SHARE CAPITAL			
Authorised:			
16,50,00,000	Ordinary Shares of Rs.10 each	16500.00	16500.00
55,00,000	Unclassified Shares of Rs.100 each	5500.00	5500.00
		<u>22000.00</u>	<u>22000.00</u>
Issued:			
16,15,89,297	Ordinary Shares of Rs.10 each	<u>16158.93</u>	<u>16158.93</u>
Subscribed & Paid-up:			
16,11,71,993	Ordinary Shares of Rs.10 each fully paid up	16117.20	16117.20
	Add: Forfeited Shares (Amount originally paid up)	8.48	8.48
		<u>16125.68</u>	<u>16125.68</u>
Note:			
Issued and Subscribed & Paid-up Capital includes 1,53,59,409 Ordinary Shares issued and allotted as fully paid up Bonus Shares by capitalisation of Capital Redemption Reserve & General Reserve and 5,34,22,010 Ordinary Shares issued and allotted as fully paid-up upon conversion of Fully Convertible Debentures.			
SCHEDULE 2 : RESERVES & SURPLUS			
CAPITAL RESERVE			
a)	Net Surplus on Revaluation of Fixed Assets		
	As per last account	1308.10	1316.97
	Less: Adjustment towards assets sold	113.89	8.07
	Less: Transfer to Depreciation Account	<u>1.07</u>	<u>0.80</u>
		1193.14	1308.10
b)	Others :		
	As per last Account	3.53	3.53
		<u>1196.67</u>	<u>1311.63</u>
SECURITIES PREMIUM			
	As per last account	<u>317.28</u>	<u>317.28</u>
CENTRAL SUBSIDY			
	As per last account	<u>15.00</u>	<u>15.00</u>
INVESTMENT ALLOWANCE RESERVE			
	As per last account *	—	112.02
	Less: Transfer to Profit & Loss Account	<u>—</u>	<u>112.02</u>
		<u>—</u>	<u>—</u>
		<u>1528.95</u>	<u>1643.91</u>

* Fully utilised for acquiring Plant & Machinery

Schedules to the Balance Sheet

	Rupees in lacs	
	March 31, 2007	March 31, 2006
SCHEDULE 3 : LOANS		
SECURED : (Note No.4 on Schedule 21)		
From Financial Institutions :		
Rupee Term Loans	4326.28	4326.93
From Scheduled Banks :		
Rupee Term Loans	4709.00	4709.00
Cash Credits	3271.08	2542.41
Deferred Payment Credits	13.88	23.99
(Secured by assets acquired under Lease)		
Interest accrued and due	0.53	0.09
	<u>12320.77</u>	<u>11602.42</u>
UNSECURED :		
LONG TERM		
Sales Tax Deferral Credit	<u>4178.98</u>	<u>4178.98</u>
SHORT TERM		
From Subsidiary Companies	152.00	170.00
From Other Bodies Corporate	2100.00	—
Security & Other Deposits	170.82	149.12
	<u>2422.82</u>	<u>319.12</u>
	6601.80 *	4498.10
	<u>18922.57</u>	<u>16100.52</u>

* Includes Rs.2252.00 lacs (Rs.170.00 lacs) due for payment within one year.

Rupees in Lacs

Schedules to the Balance Sheet**SCHEDULE 4 : FIXED ASSETS**

DESCRIPTION OF ASSETS	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	As at March 31, 2006	Additions	Sales/ Adjustments	As at March 31, 2007	Upto March 31, 2006	For the Year	Less : On Sales / Adjustments	Upto March 31, 2007	As at March 31, 2007 As at March 31, 2006
FREE HOLD LAND	1240.16	1050.00	322.79	1967.37	-	-	-	-	1240.16
LEASE HOLD LAND	35.83	-	-	35.83	6.95	0.37	-	7.32	28.51
BUILDINGS	9159.63	8.38	3.63	9164.38 (a)	4136.46	194.03	1.23	4329.26	4835.12
MACHINERY & EQUIPMENTS	36189.89	232.82	178.09	36244.62 (b)	23100.63	2048.56	136.67	25012.52	11232.10
RAILWAY SIDINGS	2.13	-	-	2.13	2.02	-	-	2.02	0.11
FURNITURE & FITTINGS	642.70	8.95	6.32	645.33	459.38	19.39	2.74	476.03	169.30
VEHICLES	682.21	77.27	89.11	670.37	322.32	62.03	48.76	335.59	334.78
CAPITAL WORK IN PROGRESS	47952.55	1377.42 (c)	599.94	48730.03	28027.76	2324.38	189.40	30162.74	18567.29
TOTAL - THIS YEAR	47985.45	1557.74	632.84 (d)	48910.35 (f)	28027.76	2324.38	189.40	30162.74	18747.61
TOTAL - PREVIOUS PERIOD	47052.69	1416.73	483.97	47985.45	26554.60	1800.71	327.55	28027.76	19957.69
									20498.09

NOTES : (a) Includes Rs. 4.50 Lacs (Rs. 4.50 Lacs) being the value of ownership premises and shares in Co-operative Housing Societies.

(b) Includes Assets acquired on Finance Lease, Gross Book Value being Rs.45.12 Lacs (Rs.45.12 Lacs) and Net Book Value being Rs. 15.86 Lacs (Rs. 23.18 Lacs).

(c) Includes Capital Expenditure on Scientific Research Rs.13.20 Lacs (Rs. 3.59 Lacs).

(d) Includes Rs. 24.58 Lacs (Rs. 33.03 Lacs) being the value of assets discarded

(e) Includes Materials at site, in transit and Assets not brought into use.

(f) Includes proportionate cost of a part of Building (on leasehold land) and Other Assets amounting to Rs. 77.85 Lacs (Rs. 73.98 Lacs) held in Joint Ownership basis with others at Kolkata, which have been charged against the amount payable as rent for land and proportionate share of expenses.

(g) Land & Buildings of Uttarpara Unit were revalued during the year ended 31.03.84 and the resulting Surplus thereon, was transferred to Revaluation Reserve.

HINDUSTAN MOTORS LIMITED

Schedules to the Balance Sheet

			Rupees in lacs	
			March 31,2007	March 31,2006
SCHEDULE 5 : INVESTMENTS (At Cost)	Number of Shares	Face Value Per Share Rs.		
LONG TERM (OTHER THAN TRADE)(FULLY PAID)				
* GOVERNMENT SECURITIES (UNQUOTED) :				
12 Year National Planning Certificates			0.02	0.02
12 Year National Defence Certificates			0.02	0.02
National Savings Certificates			0.06	0.06
			0.10	0.10
QUOTED				
ORDINARY SHARES				
Hyderabad Industries Ltd.	122188	10	73.31	73.31
UNQUOTED				
ORDINARY SHARES				
Birla Buildings Ltd.	30000	10	3.00	3.00
AVTEC Ltd.	12250000	10	6909.96	6878.46
(a company under the same management)	(12217900)			
Pithampur Auto Cluster Ltd.	50000	10	5.00	—
			6917.96	6881.46
			6991.27	6954.77
UNQUOTED SHARES IN SUBSIDIARY COMPANIES:				
ORDINARY SHARES				
Hindustan Motor Finance Corporation Ltd.	250000	10	25.05	25.05
HM Export Ltd.	50000	10	0.21	0.21
Hindustan Motors Ltd.	100000	\$ 1	44.74 **	44.74
(Incorporated in state of Delaware, USA)				
			70.00	70.00
			7061.37	7024.87
AGGREGATE VALUE OF INVESTMENTS :			Market	Market
			Cost	Cost
Quoted			73.31	73.31
Unquoted			6988.06	6951.56
			7061.37	7024.87

* Includes securities worth Rs.0.06 lacs (matured but pending encashment) lodged with Government Departments.

** Valued at the exchange rate prevailing on the date of payment.

Schedules to the Balance Sheet

	Rupees in lacs	
	March 31, 2007	March 31, 2006
SCHEDULE 6 : INVENTORIES		
At lower of cost and net realisable value		
Stores & Spares	179.58	265.08
Loose Tools	126.64	148.57
Raw Materials and Components		
[including Boughtout Components & Service Parts for Sale	7151.23	5969.49
Rs.946.40 lacs (Rs.616.47 lacs)]		
Goods under process	1467.18	892.54
Finished Goods	1351.57	1311.10
	<u>10276.20 *</u>	<u>8586.78</u>

* Includes materials lying with third parties / in Bond and in transit Rs.3336.75 lacs (Rs.3543.58 lacs)

SCHEDULE 7 : SUNDRY DEBTORS

Considered good except otherwise stated :

(a) Debts outstanding for a period exceeding six months :		
Secured	23.23	22.69
Unsecured *	1214.92	1146.99
	<u>1238.15</u>	<u>1169.68</u>
(b) Other Debts :		
Secured	23.36	48.28
Unsecured	3233.96	4538.72
	<u>3257.32</u>	<u>4587.00</u>
	4495.47 **	5756.68
Less: Provision for doubtful debts	629.00	624.04
	<u>3866.47</u>	<u>5132.64</u>

* Includes due from a subsidiary company Rs.90.74 lacs (Rs.68.66 lacs).

** Includes considered doubtful Rs.1035.96 lacs (Rs.997.02 lacs)

SCHEDULE 8 : CASH & BANK BALANCES

Cash-on-hand (including cheques Rs.Nil)	19.98	19.00
Remittances in transit	356.82	771.86
With Scheduled Banks on :		
Fixed Deposit Account	5790.05	8.05
Current Account	60.82	78.01
Margin Deposit Account	96.69	8.34
Unpaid Dividend / Interest Accounts	2.00	2.10
	<u>6326.36</u>	<u>887.36</u>

SCHEDULE 9 : OTHER CURRENT ASSETS

Unsecured :

Considered good except otherwise stated :

Interest accrued on Deposits	4.87	2.05
Export Incentives receivable	17.56	79.31
Insurance & Other Claims receivable	473.41	507.37
	<u>495.84 *</u>	<u>588.73</u>
Less: Provision for doubtful claims	10.11	14.75
	<u>485.73</u>	<u>573.98</u>

* Includes Rs.413.29 lacs (Rs. 413.29 lacs) under dispute and Rs.10.11 lacs (Rs.14.92 lacs) considered doubtful.

Schedules to the Balance Sheet

	Rupees in lacs	
	March 31, 2007	March 31, 2006
SCHEDULE 10 : LOANS & ADVANCES		
Unsecured :		
Considered good except otherwise stated :		
Advances against Capital Contracts	136.98	45.36
Other advances recoverable in cash or in kind or for value to be received or pending adjustments *	802.11	1033.46
Loans / Advances to Officers **	6.21	3.85
Balance with Customs, Port Trust & Other Government Departments	538.28	286.60
Sales Tax, VAT and other refunds receivable	2280.71	2229.30
MAT Credit entitlement	395.00	—
Deposits with Government Departments & Others	614.88	1072.94
	4774.17***	4671.51
Less: Provision for doubtful advances	173.84	174.20
	4600.33	4497.31
* Includes due from a subsidiary company Rs.83.43 lacs (Rs.64.05 lacs).		
** Maximum amount due from officers at any time during the year Rs.12.21 lacs (Rs.9.52 lacs)		
*** Includes considered doubtful Rs.243.45 lacs (Rs.221.45 lacs).		
SCHEDULE 11 : CURRENT LIABILITIES & PROVISIONS		
A. CURRENT LIABILITIES		
Acceptances	3987.34	3246.23
Sundry Creditors for goods, services, expenses etc. (Refer Note No.13 on Schedule 21)	13231.50 *	14234.35
Advances against Sales/Orders	1419.62	244.10
Investor Education and Protection Fund **		
Unpaid Dividend	1.95	1.95
Interest accrued	0.05	0.15
Other Liabilities	1756.21	2147.14
Interest accrued but not due:		
On Secured Loans	92.63	92.31
On Unsecured Loans	8.52	—
	20497.82***	19966.23
* Includes Rs.577.79 lacs (Rs.795.38 lacs) due to AVTEC limited (a company under same management).		
** Amount not yet due for deposit.		
***Includes due to subsidiary Companies Rs.26.33 lacs (Rs.21.32 lacs).		
B. DEFERRED PAYMENT LIABILITIES		
Monthly instalments under Voluntary Retirement Schemes	655.84 *	970.23
* Includes Rs.253.31 lacs (Rs.314.39 lacs) due for payment within one year)		
C. PROVISIONS		
Warranties	298.73	252.22
Leave Liability	370.72	366.93
Taxation (Net of advance payment, tax at source etc.)	299.58	114.95
	969.03	734.10
	22122.69	21670.56
SCHEDULE 12 : MISCELLANEOUS EXPENDITURE		
(To the extent not written off / adjusted)		
DEFERRED REVENUE EXPENDITURE :		
Payments under Voluntary Retirement Schemes	19.83	224.85
Product / Market Development Expenses	—	9.56
	19.83	234.41

Schedules to the Profit & Loss Account

	Rupees in lacs	
	2006-2007 (12 Months)	2005-2006 (9 Months)
SCHEDULE 13 : SALES & SERVICES		
Finished Goods [including items Capitalised Rs.41.41 lacs (Rs.9.90 lacs)]	68079.86	49506.38
Trading Goods & Service Parts	11777.38	4991.03
Others	779.77	807.26
	<u>80637.01 *</u>	<u>55304.67</u>
* Includes Rs.211.64 lacs (Rs.152.86 lacs) to subsidiary companies.		
SCHEDULE 14 : OTHER INCOME		
Dividend on Long Term Investments (Non Trade)	128.88	22.86
Interest on Debts, Deposits, Advances etc. [Tax at source Rs.0.61 lacs (Rs.0.26 lacs)]	57.59	21.52
Insurance & Other Claims	10.91	29.56
Rent & Hire Charges	34.82	35.34
Miscellaneous Income [Tax at source Rs.Nil (Rs.0.04 lacs)]	82.78	61.79
Items pertaining to previous years (Net)	9.08	35.32
Exchange Rate Difference (Net)	—	6.72
Unspent Liabilities and Provisions no longer required written back	494.91	353.44
Surplus on sale of Investments	—	186.96
Net surplus on fixed assets sold/discarded. (Refer Note No.14 on Schedule 21)	7342.44	667.42
	<u>8161.41</u>	<u>1420.93</u>
SCHEDULE 15 : DECREASE / (INCREASE) IN STOCKS		
Closing Stock:		
Goods under Process	1467.18	892.54
Finished Goods	1351.57	1311.10
	<u>2818.75</u>	<u>2203.64</u>
Less: Opening Stock:		
Goods under Process	892.54	1076.94
Finished Goods	1311.10	1229.78
	<u>2203.64</u>	<u>2306.72</u>
	<u>(615.11)</u>	<u>103.08</u>
SCHEDULE 16 : RAW MATERIALS AND COMPONENTS CONSUMED		
Opening Stock	5969.49	5231.22
Add: Purchases [includes bought out service parts for sale Rs.3290.88 lacs (Rs.2751.94 lacs)]	45805.97	33234.90
	<u>51775.46</u>	<u>38466.12</u>
Less: Transferred to Fixed Assets & Other Accounts	2.34	2.06
Sales	65.10	14.12
Closing Stock	7151.23	5969.49
	<u>7218.67</u>	<u>5985.67</u>
	<u>44556.79</u>	<u>32480.45</u>
SCHEDULE 17 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages & Bonus	5706.61	4302.70
Contribution to Provident, Gratuity & Other Funds	722.43	530.87
Welfare Expenses	420.51	248.95
	<u>6849.55</u>	<u>5082.52</u>

Schedules to the Profit & Loss Account

	Rupees in lacs	
	2006-2007 (12 Months)	2005-2006 (9 Months)
SCHEDULE 18 : OTHER EXPENSES		
Rent & Hire Charges	137.14	99.02
Building Repairs	55.67	42.60
Machinery Repairs	239.63	174.33
Insurance	151.38	103.67
Rates & Taxes	511.28	30.81
Royalties & Technical Assistance Fees	—	124.86
Selling Expenses, Service Charges, Claims etc. (Net)	2551.34	1435.68
Delivery Charges, Freight & Transportation etc. (Net)	541.64	541.76
Miscellaneous Expenses	2331.51	1581.01
Exchange Rate Difference (Net)	163.39	—
Directors' Travelling	16.25	12.33
Auditors' Remuneration:		
As Auditors	20.00	20.00
Other Services for issuing various certificates (Including Rs.12.00 lacs (Rs.8.00 lacs) for Limited review of accounts).	32.27	29.21
Reimbursement of Service Tax, Travelling and other expenses	1.87	2.34
Cost Auditor's Remuneration	1.05	1.85
Deferred Revenue expenditure written off	214.58	502.16
Cash Discount	10.26	30.25
Turnover and other Taxes	85.98	84.82
Provision for Doubtful debts, Claims & Advances	34.95	76.98
Less Written Back	<u>24.18</u>	<u>8.79</u>
Irrecoverable Debts, Claims & Advances written off	11.50	121.55
Less : Adjusted against Provision	<u>10.81</u>	<u>87.88</u>
	<u>7076.70</u>	<u>4918.56</u>
SCHEDULE 19 : INTEREST		
On Fixed Loans & Deposits	983.55 *	720.84
To Banks & Others	<u>689.59</u>	<u>163.69</u>
	<u>1673.14</u>	<u>884.53</u>
* Includes Rs.15.49 lacs (Rs. 9.60 lacs) to subsidiary companies.		
SCHEDULE 20 : DEPRECIATION		
On Fixed Assets	2324.38	1800.71
Less: Transfer from Capital Reserve being additional Depreciation on revalued Fixed Assets	<u>1.07</u>	<u>0.80</u>
	<u>2323.31</u>	<u>1799.91</u>

Schedules to the Balance Sheet and Profit & Loss Account

SCHEDULE 21: ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. ACCOUNTING POLICIES:

(I) **Basis of Accounting :**

The Company prepares its accounts on accrual basis, except otherwise stated, in accordance with the normally accepted accounting principles.

(II) **Revenue Recognition:**

- (a) Revenue from sale of goods and services rendered is recognised upon passage of title and rendering of services, to the customers.
- (b) Insurance and other claims, to the extent considered recoverable, are accounted for in the year of claim. However, claims and refunds whose recovery cannot be ascertained with reasonable certainty, are accounted for on acceptance basis.

(III) **Fixed Assets :**

- (a) Fixed Assets are stated at cost of acquisition inclusive of duties (net of Cenvat and VAT), taxes, incidental expenses, erection / commissioning expenses, technical know-how fees and interest etc. upto the date the asset is put to use. In case of revaluation of fixed assets, the original cost as written up by the valuer, is considered in the accounts and the differential amount is transferred to capital reserve.
- (b) Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual useful life of the respective assets.
- (c) The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on external / internal factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in use' of the respective assets. The estimated future cash flows considered for determining the value in use, are discounted to their present value at the weighted average cost of capital.
- (d) Assets awaiting disposal are valued at lower of written down value and net realisable value and disclosed separately.

(IV) **Foreign Currency Transactions :**

(a) **Initial Recognition :**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(b) **Conversion :**

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(c) **Exchange Differences :**

Exchange differences arising on the settlement / conversion of monetary items are recognised as income or expenses in the year in which they arise except those relating to acquisition of fixed assets outside India, in which case such exchange differences are capitalised.

The premium or discount arising at the inception of forward exchange contracts is amortised as expenses or income over the life of respective contracts. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

Schedules to the Balance Sheet and Profit & Loss Account

(V) Hedging :

The Option contracts entered into by the company, to minimise the risks associated with fluctuation in foreign exchange rates are accounted for on the date of their settlement and the realized gain/loss thereof is recognized in the Profit & Loss Account. In respect of 'open' contracts as on the Balance Sheet date, the difference between the spot rates (as on the respective contract dates) and the settlement rates, if resulting in a loss, are charged off pro-rata over the contract period, whereas the net unrealized gains are not recognized as a matter of prudence.

(VI) Depreciation :

- (a) The Classification of Plant and Machinery into continuous and non-continuous process is done as per technical certification and depreciation thereon is provided accordingly.
- (b) Depreciation on Fixed Assets is provided on Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956 or estimated useful life whichever is higher.
- (c) Technical Know-how fees included under the head "Plant & Machinery" are written off over the period of respective agreements or 10 years, whichever is lower.
- (d) Depreciation includes the amount written off in respect of leasehold land over the respective lease period.
- (e) Depreciation on revalued assets is provided at the rates specified under Section 205(2)(b) of the Companies Act, 1956 or estimated useful life whichever is higher.
- (f) Depreciation on the amounts capitalised during the year on account of foreign exchange fluctuations, is provided prospectively over the residual life of the respective assets.
- (g) Depreciation on fixed assets added / disposed off during the year, is provided on pro-rata basis with reference to the month of addition / disposal.
- (h) In case of impairment, if any, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

(VII) Fixed Assets acquired under leases

(a) Finance Lease

Assets acquired under lease agreements which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to Expenses account.

Leased assets capitalised are depreciated over the shorter of the estimated useful life of the asset or the lease term.

(b) Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term.

(VIII) Investments :

- (a) Current Investments are stated at lower of cost or market rate on individual investment basis. Long Term Investments are considered "at cost", unless there is other than temporary decline in value thereof, in which case, adequate provision is made against such diminution in the value of investments.

Schedules to the Balance Sheet and Profit & Loss Account

- (b) Investments in foreign companies are considered at the exchange rates prevailing on the date of their acquisition.

(IX) Inventories :

- (a) Inventories are valued at lower of cost, computed on annual weighted/moving average basis and net realisable value.
- (b) The closing stock of materials inter-transferred from one unit to another is valued at cost of the transferor unit or net realisable value whichever is lower.

(X) Excise Duty & Customs Duty :

Excise Duty on Finished Goods stock lying at the factories is accounted for at the point of manufacture of goods and is accordingly considered for valuation of finished goods stock lying in the factories as on the Balance Sheet date. Similarly, Customs Duty on Imported Materials in transit / lying in Bonded Warehouse is accounted for at the time of import / bonding of materials.

(XI) Research and Development :

Research and Development expenditure of revenue nature are charged to Profit & Loss Account, while capital expenditure are added to the cost of fixed assets in the year in which these are incurred.

(XII) Retirement & other employee benefits:

- (a) Defined Contribution plans

Company's contributions to Provident Fund and Superannuation Schemes are charged to Profit & Loss Accounts of the year when the contributions to the respective funds are due. The Company has no obligations other than the contributions payable to the respective trusts.

- (b) Defined Benefit plans

Gratuity liability and compensated leave encashment are provided for based on actuarial valuation made at the end of each financial year. Actuarial gain and losses are recognised immediately in the statement of Profit & Loss Account as income or expenses.

- (c) Payments under Voluntary Retirement Scheme are treated as deferred revenue expenses.

(XIII) Expenses relating to Shares / Debentures :

Shares / Debentures issue expenses including premium on redemption are adjusted against Securities Premium Account.

(XIV) Borrowing Costs :

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

(XV) Provisions :

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on the management estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

Schedules to the Balance Sheet and Profit & Loss Account

(XVI) Taxation :

- (a) Tax expenses comprise of current, deferred & fringe benefit tax . Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax ,1961. Deferred Income taxes reflects the impact of current year timing differences between taxable income for the year and reversal of timing differences of earlier years.
- (b) The deferred tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and laws that have been substantially enacted as of the Balance Sheet date . Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward unabsorbed depreciation and tax losses, deferred tax assets are recognised only to the extent there is virtual certainty supported by convincing evidence that sufficient taxable income will be available against which such deferred tax asset can be realised.
- (c) Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit & Loss Account and shown as MAT Credit entitlement. The Company reviews the MAT credit at each Balance Sheet date and writes down the carrying amount to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

(XVII) Segment Reporting :

(a) Identification of Segments :

The Company has identified that its operating segments are the primary segments. The Company's operating businesses are organized and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which the customers of the Company are located.

(b) Allocation of Common Costs :

Common allocable costs are allocated to each segment on case to case basis applying the ratio, appropriate to each relevant case. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segment on a reasonable basis, have been included under the head "Unallocated - Common".

The accounting policies adopted for segment reporting are in line with those of the Company.

(XVIII) Product related Warranty Claims

Provision for product related warranty 'costs' is based on the claims received upto the year end as well as the management estimates of further liability to be incurred in this regard during the warranty period, computed on the basis of past trend of such claims.

(XIX) Contingencies :

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

(XX) Earning per share :

Earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders, by the weighted average number of equity shares outstanding during the period.

Schedules to the Balance Sheet and Profit & Loss Account

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(XXI) Deferred Revenue Expenditure

Deferred revenue expenditure are written off in five equal annual installments. However such expenses, other than payments made under Voluntary Early Retirement Schemes, incurred upto 31st March, 2003 continue to be written off in six equal annual installments.

	Rupees in lacs	
	March 31, 2007	March 31, 2006
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances).	495.04	56.54
3. Contingent Liabilities not provided for in respect of:		
(a) Claims & Government demands against the Company not acknowledged as debts.	4545.12	21231.49
The Company does not expect any major impact to arise out of the above claims/demands.		
Against the above claims / demands, payments have been made under protest and / or debts have been withheld by the respective parties, to the extent of Rs. 373.24 lacs (Rs. 2565.64 lacs) .		
Included in the above are contingent liabilities to the extent of Rs. 1084.79 lacs (Rs.1069.70 lacs) relating to the pre transfer period for the erstwhile Power Unit Plant and Power Products Division of the Company, which were transferred to AVTEC Limited in June 2005. However, demands to the extent of Rs. 504.24 lacs are covered by a counter guarantee by one of the customers.		
(b) Outstanding Bank Guarantees for import of materials and other accounts.	72.61	1130.87
(c) Duty on import of Capital goods under Export Promotion Capital Goods Scheme Rs. 11.46 Lacs (Nil).		
(d) Bonus for the years 1963-64 to 1967-68 at Hindmotor unit which is under adjudication (amount indeterminate). The Company contends that no liability exists in this regard under the Payment of Bonus Act, 1965.		
(e) Demands for Incremental Dearness Allowance during the years 2001 to 2007 at Hind Motor Unit which are under adjudication (amount not ascertained).		
4. (a) Rupee Term Loans Rs. 9035.28 lacs from Financial Institutions and Banks together with interest and other charges thereon, are secured by a mortgage on a part of the Company's land with other immovable assets thereon, both present and future and by way of a hypothecation charge over all the movable assets including book debts of the Company.		
(b) Cash Credit Loan facilities from Banks Rs. 3271.61 lacs, together with interest and other charges thereon, are secured by a mortgage on a part of the Company's land together with other immovable assets thereon, both present and future and by way of a hypothecation charge over all the movable assets including book debts of the Company .		
(c) The Charges referred to in (a) and (b) above rank pari passu amongst various Financial Institutions and Banks.		
5. (a) Pending finalisation of agreements with workmen of Hindmotor and Tiruvallur units, minimum bonus liability has been provided.		
(b) The Company's agreement with workmen of Hindmotor Unit has expired on 31st March, 2003 . The Company's liability, if any, towards additional salaries/wages, being presently unascertainable, would be accounted for after finalisation of the said agreement.		
6. In terms of accounting policy disclosed vide Note No.1 (XVI) (b) above, Net Deferred Tax Asset of Rs. 2933.24 lacs arising on account of carried forward unabsorbed business losses has not been recognized in the accounts.		

Schedules to the Balance Sheet and Profit & Loss Account

7. Current Tax provision is net of Rs 180.00 lacs being Minimum Alternative Tax(MAT) Credit available for set-off in terms of Section 115JAA of the Income Tax Act, 1961. Further, Rs 395.00 lacs being MAT paid last year and now, being available as tax credit for set-off in future years as per Section 115JAA of the said Act has been recognised and carried forward as recoverable under MAT Credit Entitlement.
8. Derivative instruments outstanding as on the Balance Sheet date represent forward contract for future imports amounting to 35309232 (Nil) Japanese Yen. Further, foreign creditors aggregating to Rs.1271.33 lacs (Rs.1603.67 lacs), Debtors Rs.90.74 lacs (Rs.60.32 lacs), Loans & Advances Rs.83.43 lacs (Rs.64.05 lacs) and Investment Rs.44.74 lacs (Rs.44.74 lacs) are not covered by any derivative instrument.
9. Fixed Assets include Plant & Machinery obtained on Finance lease. The Lease term is for five years after which the Company has the option to purchase the asset. There is no escalation clause in the lease agreement. The year-wise breakup of the outstanding obligation in respect of finance leased assets is as under:

Rs. in lacs

	Assets taken on lease		Not later than 1 year		Later than 1 year but not later than 5 years		Later than 5 Years
	Total Minimum Lease Payments at the period end	Present Value of Minimum Lease Payments	Minimum Lease Payments	Present Value as on 31.03.07	Minimum Lease Payments	Present Value as on 31.03.07	
Finance Lease	14.98	13.49	14.98	13.49	Nil	Nil	Nil

10. Consumption of Raw materials, stores and spare parts includes profit / loss on sale thereof.
11. In certain cases, excise duty on items transferred from one division to another for captive use has been accounted for based on actual payments at provisional rates. Additional liability, if any, in this regard will be accounted for on determination of the final rates, but it will have no impact on the Company's profitability, since the same will be claimable as Cenvat benefit by the transferee unit.
12. Excise duty on stocks represents differential excise duty on opening and closing stock of finished goods.
13. Sundry Creditors include Rs. 1596.60 lacs (Rs. 1189.35 lacs) due to small scale and ancillary industrial undertakings (SSI) to the extent such parties have been identified from the available documents / information. The names of SSI Units to whom amounts are due for more than 30 days are furnished in the enclosed annexure.
14. In terms of a Development Agreement entered by the Company during the year, the Company has duly transferred a land measuring 61.509 acres at Hindmotor by handing over physical possession thereof against payment to the developer, and profit of Rs 5574.64 lacs thereon has been included in the Profit and Loss Account under the head "Other Income" in Schedule 14. Conveyance deed for the land as aforesaid is pending execution.
- In terms of the said agreement, the Company will transfer further 252.491 acres land in 4 lots in the future periods at predetermined rates, over a period of next 24 months.
- The Company has given a non-compete undertaking to the developer for a period of five years from the date of agreement or three years from the date of the completion of the development of the property, whichever is earlier, for which it would receive non-compete fee @ 4 % of the sale proceeds of the developed property as and when sold by the developer.
15. Based on breakup value as per the last audited accounts, there is a shortfall of Rs. 44.74 lacs in the value of unquoted investments in the foreign subsidiary as on the balance sheet date, which having regard to the long term involvement of the Company and being temporary in nature has not been provided for.

Schedules to the Balance Sheet and Profit & Loss Account

		Rupees in lacs	
		2006-07	2005-06
16. (a) <u>Directors' Remuneration :</u>			
	<u>Paid to Managing and Executive Directors</u>		
	Salary, Allowances etc.	43.72	35.97
	Contribution to Provident and Other Funds	6.80	5.18
	Others	13.53	2.37
		<u>64.05*</u>	<u>43.52*</u>
	Directors' Fees	5.50	5.30
		<u>69.55</u>	<u>48.82</u>

* Represents Rs. 64.05 lacs (Rs. 43.52 lacs) paid to Mr. R. Santhanam, Managing Director.

- (b) In view of significant carried forward loss under the provisions of Section 349 of the Companies Act, 1956, the detailed computation of profit for the purpose of Managerial Remuneration has not been furnished.

17. Earnings per Share (EPS)

In terms of Accounting Standard 20, the calculation of EPS is given below :-

	2006-07	2005-06
Profit / (Loss) after taxation as per accounts (Rs. in lacs)	1329.64	(4,369.13)
Weighted average No. of Equity Shares outstanding during the period	161171993	(161,171,993)
Nominal value of Shares (Rs.)	10	10
Basic and Diluted EPS (Rs.)	0.82	-2.71

18. The movements in Provisions for Warranties during the period are as follows:

(Rs. In lacs)

Provisions	Balance as at 31.03.2006	Additions during the period	Amount used during the period	Balance as at 31.03.2007
Warranties	252.22	253.73	207.22	298.73

19. Disputed / Doubtful debts, claims and advances etc. aggregating to Rs. 889.86 lacs (Rs. 833.69 lacs) have not been provided for, pending final settlement of relevant matters. However, the Company is hopeful to recover the above debts, claims etc.

20. Based on the information / documents available with the Company , information as per the requirement of Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 are as under:

Rs. in Lacs

(i) Principal amount remaining unpaid to any supplier at the end of accounting year.	2006-2007 2642.30
(ii) Interest due on above	120.25
Total of (i) & (ii)	2762.55
(iii) Amount of interest paid by the Company to the suppliers	-
(iv) Amounts paid to the suppliers beyond the respective due date	2895.63
(v) Amount of interest due and payable for the period of delay in payments but without adding the interest specified under the Act	-

21. The Company has decided to early adopt Accounting Standard 15 (revised). " Employee Benefits" , and has accordingly changed its accounting policies for gratuity and Compensated absence liability. This change does not have material impact on the profit for the year.

Disclosure under Accounting Standard- 15 (Revised) on 'Employee Benefits'

A. Defined Contribution Plan

Rs. in Lacs

	2006-07	2005-06
Contribution to Provident Fund	482.14	377.68
Contribution to Super Annuation Fund	70.35	62.43

Schedules to the Balance Sheet and Profit & Loss Account

B. Defined Benefit Plan

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets Gratuity on terms not lower than the amount payable under the Payment of Gratuity Act, 1972. The aforesaid scheme is funded with an Insurance Company.

Sl.	Particulars	Rs. in Lacs
		<u>Gratuity</u>
		2006-07
I	Net Employee Expense/(benefit)	
1	Current Service Cost	107.86
2	Interest cost on benefit obligation	195.68
3	Expected Return on plan assets	(79.10)
4	Net Actuarial gain / (loss) recognised in the year	(94.59)
5	Total employee expenses recognised in Profit & Loss Account	129.85
II	Actual return on plan assets	90.21
III	Benefit Asset/(Liability)	
1	Defined benefit obligation	(2,313.89)
2	Fair Value of Plan Assets	1082.79
3	Benefit Asset/(Liability)	(1,231.10)
IV	Movement in benefit liability	
1	Opening defined benefit obligation	2509.90
2	Interest cost	195.68
3	Current Service Cost	107.86
4	Benefits paid	(415.56)
5	Actuarial (gains) / losses on obligation	(83.99)
6	Closing benefit obligation	2313.89
V	Movement in fair value of plan assets	
1	Opening fair value of plan assets	1118.10
2	Return on plan assets(actual)	90.21
3	Contribution by employer	290.04
4	Benefits paid	(415.56)
5	Closing fair value of plan assets	1082.79
VI	The Principal actuarial assumptions are as follows	
1	Discount Rate	8.50%
2	Salary increase	3.50%
3	Withdrawal Rate	
		Varying 1 % per annum depending upon duration and age of the employees.
4	Expected rate of return on Plan assets	8.00%

Note:

- The estimates of future salary increase considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- Since the Company has made early adoption of AS 15 (Revised) on employee benefits w.e.f. April 1, 2006 the disclosures as mentioned in (B) above are given only for the current year.
- The information in respect of defined benefit obligation for previous four years are not available and hence not furnished.
- The Company expects to contribute Rs.130 lacs to Gratuity fund in 2007-2008.

Schedules to the Balance Sheet and Profit & Loss Account

22. Related Party Disclosures :

(a) Name of the related parties :

Subsidiary Companies

HM Export Ltd.

Hindustan Motor Finance Corporation Ltd.

Hindustan Motors Ltd., U.S.A.

Associate Company

AVTEC Limited

Key Management Personnel

Mr. R. Santhanam, Managing Director

(b) Aggregated Related Party Disclosures as at and for the 12 months period from April 1, 2006 to March 31, 2007 (Transactions have taken place on arm's length basis) *

(Rs. in lacs)

	Subsidiary Companies			Associate Company	Total
	HML, U.S.A.	HM Finance Corporation Ltd	HM Export Ltd	AVTEC Ltd.	
Sales	77.60 (27.59)	- (-)	134.04 (125.27)	1483.84 (1,315.10)	1695.48 (1467.96)
Purchase (-)	- (-)	- (-)	-	8380.50 (6,152.91)	8380.50 (6152.91)
Interest Paid	- (-)	4.31 (2.44)	11.18 (7.16)	- (-)	15.49 (9.60)
Intercompany Loans taken and due	- (-)	42.00 (50.00)	110.00 (120.00)	- (-)	152.00 (170.00)
Debtors, Loans & Advances	174.17 (124.37)	- (8.34)	- (-)	- (-)	174.17 (132.71)
Creditors & Other Payables	11.83 (9.81)	- (-)	14.50 (11.51)	577.79 (795.38)	604.12 (816.70)
Purchase of Investment	- (-)	- (-)	- (-)	31.50 (-)	31.50 (-)
Investment	44.74 (44.74)	25.05 (25.05)	0.21 (0.21)	6909.96 (6878.46)	6979.96 (6948.46)
Item pertaining to previous year(Net) at Credit	- (-)	- (-)	- (-)	-11.50 (52.30)	-11.50 (52.30)
Misc. Expenses	- (-)	- (-)	- (-)	8.72 (2.35)	8.72 (2.35)
Rent & Hire charges	- (-)	- (-)	- (-)	10.72 (-)	10.72 (-)

* Excludes Rs. 64.05 lacs(Rs. 43.52 lacs) being remuneration to Managing Director as disclosed vide Note No.16 (a) above.

Schedules to the Balance Sheet and Profit & Loss Account

23. The Company's segment information including prior period items as at and for the 12 months period from April 1, 2006 to March 31, 2007 are as below :-

		(Rupees in lacs)	
	Automobiles	Others	Total
(a) Revenue *			
External Net Sales	62518.38	95.69	62614.07
	(42651.60)	(27.60)	(42679.20)
(b) Results			
Segment Results	3117.35	-125.04	2992.31
	(-2680.00)	(-121.19)	(-2801.19)
Unallocated Expenses net of unallocated Income			-40.53
			(-18.57)
Profit			2951.78
			(-2819.76)
Interest Expenses			1673.14
			(884.53)
Provision for Current Tax			285.00
			(582.20)
Mat Credit Entitlement			-395.00
			-
Fringe Benefit Tax			59.00
			(83.00)
Deferred Tax			-
			(-)
Excess Provision for Taxation net of written back			-
			(0.36)
Net Profit / Loss			1329.64
			(-4369.13)
(c) Total Assets			
Segment Assets	43854.54	255.49	44110.03
	(39457.61)	(215.49)	(39673.10)
Unallocated Corporate Assets			7273.87
			(7221.94)
			51383.90
			(46895.04)
(d) Total Liabilities			
Segment Liabilities	21748.04	69.42	21817.46
	(21464.21)	(66.70)	(21530.91)
Unallocated Corporate Liabilities (including Loans)			19227.80
			(16240.17)
			41045.26
			(37771.08)
(e) Other Information			
(i) Non cash expenses included in segment expenses	214.58	-**	214.58
	(150.93)	(351.23)**	(502.16)

** Unallocated portion

Schedules to the Balance Sheet and Profit & Loss Account

(ii)	Capital Expenditure		Depreciation	
	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>
Automobiles	1524.84	1376.63	2307.26	1789.16
Others	0.00	11.84	16.05	10.75
	<u>1524.84</u>	<u>1388.47</u>	<u>2323.31</u>	<u>1799.91</u>

(f) Geographical Segments Revenue *

	<u>2006-07</u>	<u>2005-06</u>
India	62303.82	42566.12
Overseas	310.25	113.08
	<u>62614.07</u>	<u>42679.20</u>

* Net of Excise Duty, Sales Tax and Value Added Tax

Notes :

- (i) Business Segment : The business segments have been identified on the basis of the products of the Company. Accordingly, the Company has identified "Automobiles" as the operating segments :
- Automobiles - Consists of manufacture and sale of Passenger Cars, Utility Vehicles & Trucks and Components & Accessories thereof.
- Others - Remote Service Division engaged in engineering services.
- (ii) Geographical Segment : The Company primarily operates in India and therefore the analysis of geographical segments is demarcated into its Indian and Overseas Operations.
- (iii) Total carrying amount of segment assets by geographical location of assets, for the Company's overseas operations are below 10 % of the total assets of all segments, and hence not disclosed.

24. Details of Research & Development cost (Rupees in lacs)

	Capital Expenditure		Revenue Expenditure		Deferred Revenue Expenditure **	
HINDMOTOR UNIT *	8.74	(3.59)	169.93	(178.41)	-	(9.56)
CHENNAI CAR PLANT	-	(-)	-	(0.53)	-	(-)
INDORE UNIT (RTV)	4.46	(-)	17.36	(28.12)	-	(-)
	<u>13.20</u>	<u>(3.59)</u>	<u>187.29</u>	<u>(207.06)</u>	<u>-</u>	<u>(9.56)</u>

* Approved Centres ** Pending Amortisation

25. a) The following items are included under other heads in the Profit & Loss Account.

<u>EXPENSES</u>	<u>2006-07</u>	<u>2005-06</u>
Raw Materials and Components	38.27	22.61
Stores and Spares	86.17	74.59
Building Repairs	0.34	-
Machinery Repairs	107.35	137.33
Selling Expenses, Service Charges, Claims etc.	9.00	5.92
Interest	0.32	0.27

- b) Salaries & Wages as well as Stores consumption relating to repairs have not been segregated but are charged to the relevant account heads.

Schedules to the Balance Sheet and Profit & Loss Account

	Rupees in lacs	
	<u>2006-07</u>	<u>2005-06</u>
26. C.I.F Value of Imports during the period :		
(i) Raw Materials	143.92	186.72
(ii) Components and Spare Parts	14799.29	6536.28
(iii) Capital Goods	10.23	486.60
27. Expenditure in Foreign Currency (subject to deduction of Tax and R.B.I. approval, wherever applicable) [to the extent charged to Profit & Loss Account] .		
(i) Royalties, Technical Know-how Fees and other charges	2.20	119.00
(ii) Interest	13.19	5.37
(iii) Other matters	108.72	39.76
28. Earnings in Foreign Exchange:		
(i) Export of goods on F.O.B basis (including inland sales which qualify for export incentives) [to the extent credited to Profit & Loss Account].	309.96	112.92
29. Details of Raw Materials and Components consumed (including unserviceable and/or damaged items written down and/or written off) :		

		Rupees in lacs	
		<u>2006- 07</u>	<u>2005 - 06 (9 Months)</u>
	<u>Unit</u>	<u>Qty.</u>	<u>Amount</u>
Steel Sheets, Plates & Flats	M/T	6192	2187.65
Bars, Billets, Channels & Angles	M/T	3551	1470.48
Pig Iron & Scrap	M/T	1761	258.31
Non-Ferrous Metal	M/T	22	28.48
Tyres & Tubes	Pcs.	69178	900.56
Other Production Stores and Components (including processing charges)			
		36750.36	25635.42
		41595.84	29562.82
Cost of Boughtout Components and Service Parts Sold			
		2960.95	2917.63
		44556.79	32480.45

30. Value of Raw Materials and Components, Stores and Spares consumed during the year (including items shown under other heads of expenses, unserviceable and/or damaged items written down and/or written off) :

	Raw Materials and Components				Stores and Spares			
	2006-07		2005-06 (9 Months)		2006-07		2005-06 (9 Months)	
	Rs(Lacs)	%	Rs(Lacs)	%	Rs(Lacs)	%	Rs(Lacs)	%
Indigenous	29784.91	72	22882.54	77	1684.62	99	1238.64	98
Imported :								
a) CIF Value (Approx.)	10514.80	25	5620.86	19	12.29	1	19.26	2
b) Duty, Port Charges, Transport etc. (Approx.)	1334.40	3	1082.03	4	2.76	-	4.22	-
	11849.20	28	6702.89	23	15.05	1	23.48	2
	41634.11	100	29585.43	100	1699.67	100	1262.12	100

Schedules to the Balance Sheet and Profit & Loss Account**31. Quantitative Information :
Installed Capacity, Production, Stocks & Sales of Goods Produced / Traded during the Year**

Class of Goods	Installed			Opening Stock		Closing Stock		Sales (a)	
	Unit	Capacity	Production	Qty.	Rs. in Lacs	Qty.	Rs. in Lacs	Qty.	Rs. in Lacs
1. On Road Automobiles having four or more wheels (Including Engines, Transmissions, Axles and Spare-Parts thereof)	Nos.	63000 (b)	13663	225	1088.38	341	1221.13	13547	65572.12
2. Steel Products (c)	Tonnes	18000	(11754)	(327)	(1026.67)	(225)	(1088.38)	(11856)	(47844.94)
			6368 (d)	-	51.28	-	10.51	-	2507.74
			(5046)	(-)	(-)	(-)	(51.28)	(-)	(1661.44)
3. Manufactured Components & Service	Rs.(lacs)	-	1086.51 (e)	-	171.44	-	119.93	-	- (f)
Parts for Sale			(1214.43)		(203.11)		(171.44)		(-)
Total					1311.10		1351.57		68079.86
					(1229.78)		(1311.10)		(49506.38)
4. Purchase of Vehicles for Trading	Nos.		228	-	-	-	-	228	5954.28
			(-)	(-)	(-)	(-)	(-)	(-)	(-)
5. Boughtout Components & Service parts for sale	Rs.(lacs)	-	3290.88		616.47		946.40		5823.10 (f)
			(2751.94)		(782.16)		(616.47)		(4991.03)
6. Others (including semi-finished goods)	Rs.(lacs)								779.77
									(807.26)
						Total			80637.01
									(55304.67)

Schedules to the Balance Sheet and Profit & Loss Account

- (a) Includes excise duty, sales tax, export incentives, insurance claims, transportation & delivery charges and after adjusting incentives / discounts and returns against sales made in earlier years Rs. 848.83 lacs (Rs 572.02 lacs).
- (b) The installed capacity of the plants is not balanced in different manufacturing stages. As a result, in many stages, the capacity is more whereas in some stages, it is less than mentioned above.
- (c) Includes Alloy Steel and Mild Steel Forgings & Grey Iron Castings.
- (d) Including used for own consumption and for different end-products.
- (e) At estimated sale value.
- (f) Sales value of own manufactured spare parts being unascertainable, the same have been grouped under this head.
 - 1. The installed Capacities are certified by the Management and accepted as correct by the Auditors.
 - 2. Installed capacities as on 31.03.2006 and 31.03.2007 are identical. Further, licensed capacity has not been given above in view of the delicensing of various products.
- 32. Previous period's figures (including those which are in brackets) have been regrouped / rearranged wherever necessary. Further, current year's figures being for twelve months are not comparable with the previous period figures which are for nine months.

Signatures to Schedules 1 to 21

In terms of our attached Report of even date.

S.R.Batliboi & Company
Chartered Accountants
Per **R.K. Agrawal**
a Partner
Membership No.16667
Camp : New Delhi
May 30 , 2007.

Yogesh Goenka
Chief Financial Officer
G. N. Pareek
Secretary

As Approved,

For and on behalf of the Board of Directors
C. K. Birla
Chairman

R. Santhanam
Managing Director

Annexure to Note No 13 on Schedule 21 to the Accounts**Names of SSI Units to whom amounts are due for more than 30 days as on 31.03.2007**

21ST CENTURY AUTOLOCKS P LTD	MITSUBA ELECTRICALS
A G ENTERPRISE	MOFLEX SUSPENSING PVT.LTD.
ACE ENGINEERING	MOHALANOBISH ENGINEERING
AGYA AUTO LIMITED	MOHAN INDUSTRIES
AMRITA ENGG. & TRADING CO	N B S RUBBER INDUSTRIES
ANIRAJ ENGINEERING	NARY ENGINEERS
ANUPAM INDUSTRIES	NATESAN SYNCHROCONES P LTD.
ANY GRAPHICS PVT LTD	NATIONAL CORK SHEET CO
ARVIND ENGINEERING WORKS LTD	OSAKA RUBBER PVT LTD
ASSOCIATED MANUFACTURERS (I)	PEARL PLASTIC PRODUCTS
B G INDUSTRIES	PEOPLES ENTERPRISE PRIVATE LTD
BALDEODAS GAJANAND AUTO SPARE	PHIROZE SETHNA PRIVATE LIMITED
BELON METAL WORKS	PIONEER ENGINEERS
BENARA UDYOG LTD	PLASTO-CHEM (PVT) LTD.
BENGAL ENGINEERING WORKS	POWER LINE CORPORATION
BHANDARI FABRICATORS	PRABHA ENGINEERING PVT LTD
BHARAT EXPORTS LIMITED	PRECISION ENGINEERING WORKS
BHARAT SAFETY GLASS PVT LTD	PREMIER INSTRMNTS & CONTROL
BOMBAY COMMERCIAL SYNDICATE	PROTOCHEM INDUSTRIES
BRITE RUBBER INDUSTRIES	PURELEC CARBON INDIA PVT LTD
CEEKAY DAIKIN LIMITED	PYNE CHEMICAL PRODUCTS
CHETAK AUTOENGINEERING	QUALITY PRESSINGS
CRS ENGINEERING WORKS	R B TRADING & MFG CO
DAGA ENGG INDUSTRIES	R K INDUSTRIES
DEEPAK AUTO PVT. LTD	RAMESH & COMPANY
DEWAS HYDROQUIP PVT.LTD.	RANGRAJ ELECTRO PRODCTS
DIPA TRADING	RATAN ENGINEERING WORKS
DYNAMIC INDUSTRIES LTD	RATAN ENTERPRISE
ELLORA TRADING LIMITED	RATAN PLASTICS PRIVATE LTD
EMDET JAMSHEDPUR (P) LTD	S.G.INDUSTRIES
EMERGENCY KITS INDIA PVT LTD	SAAVI FIBRE COMPOSITES
ESKO DIE CASTING PVT LTD	SABITA AUTO PRODUCTS
EUREKA RUBBER INDUSTRIES	SAMSONS RUBBER INDUSTRIES
EXHAUST MANUFACTURING	SANAUTO

FAABER PAINTS PRIVATE LTD
FIBREGLASS MOULDERS
FIBRO FAB
FRANCO SPRING COMPANY
FURMECH ENGINEERS (I)
GREY ENGG WORKS
HEM ELECTRIC MFG CO P LTD
HIND CASTING & ENGG WORKS
HINDUSTAN MANUFACTURERS
IMPERIAL AUTO INDUSTRIES LTD
INDIA TRADE CENTRE
INDICATION INSTRUMENTS LTD.
INDOMAN ENGINEERING WORKS
J P AGARWALLA & SONS
JAI RUBBER INDUSTRIES
JAY BHARAT EXHAUST SYSTEMS
JAY SWITCHES (INDIA) PVT LTD
KACH MOTORS PVT LTD
KANAL ENTERPRISES
KEJRIWAL ALLOYS & METALS P LTD
KHANUJA AUTO PARTS
KLIPCO PRIVATE LTD
KWALITY SILENCERS IND
LAL PLASTIC PRODUCTS
LUNA HEAT TREATMENT UNIT
MAHANAGAR ENGINEERING PVT LTD
MALAY ENGINEERING
MANMOHAN INDUSTRIES (REGD.)
MANTRI UDYOG LIMITED
MAX ENGINEERS
METAL FORGER AND FAB

SARBAMANGALA ENGINEERING
SARCO
SATYEN BROTHERS
SAWALKA KEL PVT LTD
SHIVA ENTERPRISES
SHREE AMBICA IRON INDUSTRIES
SHREE TRADERS
SIG-NET RUBBER (I) PLTD
SONI AUTO&ALLIED INDS.PVT.LTD
STAR AUTO INDUSTRIES
STERIMED SURGICALS(I)PVT.LTD
STRIDENT POLYMERS (I) PVT LTD
SUMAN AUTO PRODUCTS
SUMAN INDUSTRIES
SUMIT TECHNISCH & ENGG (P)LTD
SURAJ GENERAL ENGINEERS P LTD
SURAJ INDUSTRIAL CORPORATION
SURYA FIBRES
SUVEGA INDUSTRIES
TECH-FORCE COMPOSITS
TERA STEEL INDUSTRIE
THACKER BROTHERS
TINKU ENTERPRISE
TIRUPATI INDUSTRIES
TRUFIT FASTENERS PVT LTD
UNITED RUBBER INDUSTRIES
UNIVERSAL ENGINEERING
UNIVERSAL ENGINEERS
VARUN RADIATORS
VIR RUBBER PRODUCTS P LTD
VIRAJ ENGINEERING CO

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	18967	State Code	21
Balance Sheet Date	31.03.2007		

II. Capital raised during the year *(Amount in Rs. thousands)*

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III. Position of Mobilisation and Deployment of Funds *(Amount in Rs. thousands)*

Total Liabilities	3657720	Total Assets	3657720
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Sources of Funds

Paid up Capital	1612568	Reserves & Surplus	152893
Secured Loans	1232077	Unsecured Loans	660180

Application of Funds

Net Fixed Assets	1874760	Investments	706137
Net Current Assets	343239	Misc. Expenditure	1983
Accumulated Losses	731599		

IV. Performance of the Company *(Amount in Rs. thousands)*

Turnover	7077548 *	Total Expenditure	6949684
Profit before Tax	127864	Profit after Tax	132964
Earnings per Share(Basic & Diluted)	0.82	Dividend rate %	Nil

* Including Other Income.

V. Generic Names of Three Principal Products of Company

Item Code No. (ITC Code)	Product Description
870300	MOTOR VEHICLES FOR PASSENGERS
870410	MOTOR VEHICLES FOR TRANSPORT OF GOODS

**Statement regarding Subsidiary Companies
pursuant to Section 212 of the Companies Act, 1956**

a) Name of Subsidiaries	1) Hindustan Motor Finance Corporation Limited	2) HM Export Limited	3) Hindustan Motors Limited, USA
b) Holding Company's Interest	Holders of entire Subscribed Capital	Holders of entire Subscribed Capital	Holders of entire Subscribed Capital
c) Net aggregate amount of subsidiaries' Profit or Losses which concerns the members of Hindustan Motors Limited to the extent mentioned above and not dealt with in the Company's accounts :			
i) For the Subsidiaries' financial year ended 31-3-2007	Loss Rs. 8,57,130	Profit Rs. 11,37,700	Loss Rs. 54,31,865
ii) For the previous financial years, since these companies became subsidiaries	Profit Rs. 35,13,182	Profit Rs. 1,46,88,006	Loss Rs. 1,49,56,963

As Approved,

For and on behalf of the Board of Directors

C. K. Birla
Chairman
Yogesh Goenka
 Chief Financial Officer

R. Santhanam
Managing Director

 Camp : New Delhi
 May 30, 2007.

G. N. Pareek
 Secretary

Report of the Directors

To the Shareholders,

Your Directors hereby present their report together with the Audited Accounts of the Company for the year ended 31st March, 2007.

During the year under review the revenue account reflects a loss of Rs.8,57,130/- after providing Rs.705/- for depreciation, Rs.5,32,371/- for non-performing assets, Rs.20,000/- for Fringe Benefit Tax and adjusting Rs.1,469/- towards excess provision for Fringe Benefit Tax. After taking into account the credit balance in the Profit and Loss Account of Rs.29,15,529/- brought forward from the previous year and after current year's loss amounting to Rs.8,57,130/- there remains a surplus of Rs.20,58,399/- which is proposed to be carried forward.

During the year under review, no vehicle had been bullet proofed due to lack of orders. Substantial orders though have been procured during the current year.

During the year under review, the Company has not undertaken any hire-purchase business.

Directors' Responsibility Statement

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Board of Directors confirms:

- A that in the preparation of the annual accounts, for the year ended 31st March 2007, all the applicable accounting standards prescribed by the Institute of Chartered Accountants of India, have been duly complied with by the Company.
- B that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year.
- C that the Directors have 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.
- D that the Directors have prepared the annual accounts on a going concern basis.

The Company neither owns any manufacturing facility nor had any export business. Therefore, the disclosure of particulars as required under Section 217(1)(e) of the Companies Act, 1956 is not applicable.

Pursuant to the requirement of proviso to Section 383A(1) of the Companies Act, 1956 a Compliance Certificate received from Vinod Kothari & Co., Company Secretary in practice is enclosed.

None of the employees of the Company receive salary beyond the ceiling prescribed in Section 217(2A) of the Companies Act, 1956. Hence, no disclosure is made.

Shri G N Pareek retires from the Board of Directors by rotation and being eligible offers himself for reappointment.

Messrs. S R Batliboi & Co., Auditors of the Company also retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

9/1 R N Mukherjee Road
Kolkata – 700 001, 28th May 2007

G. N. Pareek
U. C. Tiwari
DIRECTORS

COMPLIANCE CERTIFICATE

(IN TERMS OF SECTION 383A(1) OF THE COMPANIES ACT, 1956)

Registration No of the Company : 21-8866

To
The Members of
HINDUSTAN MOTOR FINANCE CORPORATION LIMITED
9/1, R N Mukherjee Road
Kolkata - 700001

We have examined the registers, records, books and papers of Hindustan Motor Finance Corporation Limited ("the Company") as required to be maintained under the Companies Act, 1956, (the Act) and the Rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended 31st March, 2007. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year –

1. The Company has kept and maintained the registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the Rules made thereunder and all entries therein have been duly recorded.
2. The Company has filed the forms and returns as stated in Annexure 'B' to this certificate with the Registrar of Companies, West Bengal under the Act and the Rules made thereunder.
3. The Company is not a Private Limited Company.
4. The Board of Directors of the Company met Four times respectively on 26th April, 2006, 17th August 2006, 26th December 2006 and 6th March 2007 and in respect of such meetings, proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose. No circular resolutions were passed during the year under review.
5. The Company has not closed the Register of its Members during the financial year 2006-2007.
6. The Annual General Meeting of the Company for the financial year ended 31st March, 2006 was held on 14th June, 2006 after giving due notice to the Members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No Extraordinary General Meeting was held during the financial year under review.
8. The Company has not advanced any loan to its Directors and / or persons or firms or companies referred to in Section 295 of the Act.
9. The Company has not entered into any contracts during the year falling within the purview of Section 297 of the Act.
10. There was no transaction that was required to be entered in the Register under Section 301 of the Act, except notices received under Section 299(3) of the Act which have been entered in the register.
11. As there were no instances failing within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, Members or the Central Government, as the case may be.
12. The Board of Directors of the Company has not issued any duplicate share certificates during the financial year under review.
13. The Company:
 - (a) Has not made any allotment / transmission / transfer of securities during the financial year and hence was no requirement of delivery of certificates.
 - (b) Has not deposited any amount in Separate Bank Account as no dividend was declared during the financial year.

- (c) Was not required to post dividend warrants to any members of the Company as no dividend was declared during the financial year.
 - (d) Was not required to transfer any amount to Unpaid Dividend Account of the Company with any bank, as there was no unpaid or unclaimed dividend.
 - (e) That the Company has complied with the applicable requirements of Section 217 of the Act in respect of year under review.
- 14. The Board of Directors of the Company is duly constituted and the appointment of directors has been duly made during the financial year.
 - 15. The Company has not appointed any Managing Director / Whole-time Director / Manager during the financial year.
 - 16. The Company has not appointed any sole selling agents during the financial year.
 - 17. The Company was not required to obtain any approval of the Central Government, Company Law Board, Regional Director, Registrar and / or such authorities prescribed under the various provisions of the Act during the financial year.
 - 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 thereunder.
 - 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 was no transaction 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 including any unsecured loans falling within the purview of Section 58A during the financial year.
 - 24. The Company has not made any borrowings during the financial year.
 - 25. The Company is in the business of financing industrial enterprises and hence avails the exemption under the provisions of Section 372A of the Act.
 - 26. The Company has not altered the provisions of the Memorandum of Association with respect to Company's Registered Office from one State to another during the financial year under scrutiny.
 - 27. The Company has not altered the provisions of the Memorandum during the year under scrutiny with respect to the objects of the Company.
 - 28. The Company has not altered the provisions of the Memorandum during the year under scrutiny, with respect to the name of the Company and complied with the provisions of the Act.
 - 29. The Company has not altered the provisions of the Memorandum during the year under scrutiny, with respect to share capital of the Company.
 - 30. The Company has not altered its Articles of Association during the financial year.
 - 31. As declared to us by the officers of the Company, the Company received no show cause notices and no fines or penalties or any other punishment was imposed on 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 transferred contribution of employees as well as its own contribution to the Trust constituted with respect to Provident Fund for its employees pursuant to Section 418 of the Act as per the Statutory Auditor's Report.

For Vinod Kothari & Company

Vinod Kothari
(Proprietor)
C.P.No. : 1391

Place: Kolkata
Date: 28.05.2007

ANNEXURE – A**Registers maintained by the Company :**

Sl. No.	Particulars	Under Section
1.	Register of Charges	143
2.	Registers of Members	150
3.	Minutes Book of Board Meetings	193
4.	Minutes Book of General Meetings	193
5.	Books of Account	209
6.	Register of Contracts	301
7.	Register of Directors	303
8.	Register of Directors' shareholding	307
9.	Register of Investments	372A

ANNEXURE – B

Returns / Documents / Forms filed with the Registrar of Companies, Regional Director, Central Government or Other Authorities during the financial year ended on 31st March, 2007 (from 01-04-2006 to 31-03-2007).

Registrar of Companies :

Sl. No.	Form No. / Return	Filed under	Description	Date of filing	Whether filed within prescribed time	If delay, whether requisite additional Fee Paid
1.	B/S	220	Balance Sheet, etc. for the financial year 2005-06 (As on 31-03-2006)	12-07-2006	Yes	—
2.	A/R	159	Annual Return	12-07-2006	Yes	—
3.	Form 18	146	Change of Registered Office	07-09-2006	Yes	—
4.	Form 32	303	Cessation of Mr. N R Kulkarni	04-04-2007	Yes	—
5.	C/C	383A	Compliance Certificate	12-07-2006	Yes	—

Regional Director: No Return / Form / Document was filed.

Central Govt. & Other Authorities: No Return / Form / Document was filed.

For Vinod Kothari & Company

Place: Kolkata
Date: 28.05.2007

Vinod Kothari
(Proprietor)
C.P.No. : 1391

Auditors' Report

To
The Members of
HINDUSTAN MOTOR FINANCE CORPORATION LIMITED,

We have audited the attached Balance Sheet of HINDUSTAN MOTOR FINANCE CORPORATION LIMITED, as at 31st March, 2007 and the Profit & Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 (as amended), issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that: -

- (i) 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;
- (ii) in our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of such books;
- (iii) the Balance Sheet, Profit & Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account as submitted to us;
- (iv) on the basis of written representations received from the directors as on 31st March, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as director in terms of clause (g) of sub-section(1) of Section 274 of the Companies Act, 1956.
- (v) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement have been drawn up in accordance with the Accounting Standards referred to in sub - section (3C) of Section 211 of the Companies Act, 1956.
- (vi) the Company has complied with the prudential norms relating to income recognition, asset classification and provisioning for bad and doubtful debts as applicable to it.

In our opinion and to the best of our information and according to the explanations given to us, the said Statements of Account, read together with the Notes appearing on Schedule 13, give the information required by the Companies Act, 1956 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 Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
- b) in the case of Profit & Loss Account, of the loss of the Company for the year ended on that date; and
- c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Place: Kolkata
Date : 28th May 2007

S. R. Batliboi & Co.
Chartered Accountants
per **R. K. Agrawal**
a Partner
Membership No. : 16667

Annexure to the Auditors' Report

Referred to in our report of even date to the Members of **HINDUSTAN MOTOR FINANCE CORPORATION LIMITED** as at and for the year ended 31st March, 2007

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no discrepancy was identified on such verification.
- (c) There was no disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. As informed, no material discrepancies were noticed on such physical verification.
- (iii) As informed to us, the Company has not given any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clauses (iii) (a) to (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable.

As informed to us, the Company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clauses (iii) (e) to (g) of the said Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) According to the information and explanations provided by the management, there have been no contracts or arrangements during the year that need to be entered into the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clauses (v) (a) and (b) of the order are not applicable.
- (vi) As informed, the Company has not accepted any deposits from the public.
- (vii) The Company has an internal audit system which, in our opinion, is commensurate with the size and nature of its business.
- (viii) The provision for maintenance of cost records as prescribed by the Central Government under Section 209(1) (d) of the Act is not applicable to the Company.
- (ix) (a) The Company has been generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues with the appropriate authorities *though there had been delays in payment of Fringe Benefit Tax.*

- (b) According to the information and explanations given to us, there are no undisputed dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other statutory dues which were outstanding, at the Balance Sheet date, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company and as informed to us, there are no dues outstanding in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year *but it has incurred cash losses in the current and immediately preceding financial year.*
- (xi) Based on our audit procedures and as per the information and explanations given by the management, the Company has no borrowings from any financial institution/ bank and outstanding debentures. Therefore, the provisions of clause 4(xi) of the Order are not applicable.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the said Order are not applicable.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the said Order are not applicable.
- (xv) According to the information and explanations provided to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations provided to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

S. R. Batliboi & Co.

Chartered Accountants

per **R. K. Agrawal**

a Partner

Membership No. : 16667

Place: Kolkata

Date : 28th May 2007

HINDUSTAN MOTOR FINANCE CORPORATION LIMITED

BALANCE SHEET AS AT MARCH 31, 2007

	Schedule	March 31,2007 Rs.	March 31,2006 Rs.
SOURCES OF FUNDS			
A. SHAREHOLDERS' FUNDS			
a. Share Capital	1	2500000	2500000
b. Reserves & Surplus			
Surplus as per Profit & Loss Account		2058399	2915529
		<u>4558399</u>	<u>5415529</u>
B. LOANS			
Unsecured	2	6300	6300
		<u>6300</u>	<u>6300</u>
TOTAL		<u>4564699</u>	<u>5421829</u>
APPLICATION OF FUNDS			
A. FIXED ASSETS			
a. Gross Block	3	132323	132323
b. Less: Accumulated Depreciation		129060	128355
c. Net Block		<u>3263</u>	<u>3968</u>
B. CURRENT ASSETS, LOANS & ADVANCES			
a. Motor Vehicles given on Hire Purchase Contracts, valued at Hires receivable	4	448651	770320
b. Sundry Debtors	5	-	222102
c. Cash and Bank Balances	6	203954	1321983
d. Other Current Assets			
Interest accrued on Fixed Deposit		53000	52596
e. Loans & Advances	7	4415293	5160525
		<u>5120898</u>	<u>7527526</u>
C. LESS-CURRENT LIABILITIES & PROVISIONS			
a. Current Liabilities	8	226195	1769376
b. Provisions		333267	340289
		<u>559462</u>	<u>2109665</u>
NET CURRENT ASSETS		<u>4561436</u>	<u>5417861</u>
	TOTAL	<u>4564699</u>	<u>5421829</u>
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	13		

Schedules 1 to 8 and 13 referred to above form an integral part of the Balance Sheet.

In terms of our attached Report of even date.

S.R.Batliboi & Co.
Chartered Accountants
Per **R. K. Agrawal**
a Partner
Membership No 16667
Place: Kolkata
Dated : 28th May 2007

G. N. Pareek
U. C. Tiwari
DIRECTORS

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

	Schedule	2006-2007 Rs.	2005-2006 Rs.
INCOME			
Sales & Services - Job charges		-	1405000
Less: Value Added Tax		-	156111
		-	1248889
Finance Charges and Commission on Hire Purchase contracts	9	5851	14384
Other Income	10	589222	832532
		595073	2095805
EXPENDITURE			
Job Charges to Contractors		-	1035000
Payments to and Provisions for employees	11	405476	380944
Interest		4085	89711
Other Expenses	12	465035	760837
Directors' Fees		26000	36000
Provision against Non-performing assets		532371	1134973
Depreciation		705	865
		1433672	3438330
LOSS BEFORE TAXATION		838599	1342525
Provision for Fringe Benefit Tax		20000	25000
Excess provision for Fringe Benefit Tax		(1469)	-
Written back			
Short Provision of Income Tax		-	4080
LOSS AFTER TAXATION		857130	1371605
Surplus brought forward from Previous Year		2915529	4287134
Balance Carried to Balance Sheet		2058399	2915529
Earning per share (Basic & Diluted) (Rs)		(3.43)	(5.49)
Nominal value per share (Rs)		10.00	10.00
(Refer Note No.4 on Schedule 13)			

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

13

Schedules 9 to 13 referred to above form an integral part of the Profit & Loss Account

In terms of our attached Report of even date.

S.R.Batliboi & Co.

Chartered Accountants

Per **R. K. Agrawal**

a Partner

Membership No 16667

Place: Kolkata

Dated : 28th May 2007

G. N. Pareek**U. C. Tiwari**

DIRECTORS

Cash Flow Statement for the year ended March 31, 2007

	2006-2007 Rs.	2005-2006 Rs.
(A) CASH FLOW FROM OPERATING ACTIVITIES:		
NET LOSS BEFORE TAXATION :	(838,599)	(1,342,525)
ADJUSTMENTS FOR:		
Depreciation	705	865
Provision for Non Performing Asset/Doubtful Debts/Advances (Net)	475,171	919,233
Interest Received (Net)	(433,474)	(388,297)
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	796,197	810,724
Decrease in Trade Payables	1,545,203	3,886,299
Decrease in Trade & Other Receivables	1,710,542	5,599,021
CASH GENERATED FROM OPERATIONS	(630,858)	901,998
Add: Direct Tax (Paid)/received (Net)	(120,241)	(59,952)
NET CASH FLOW FROM OPERATING ACTIVITIES	(751,099)	842,046
(B) CASH FLOW FROM FINANCING ACTIVITIES		
Interest Received (Net of Interest Paid)	433,070	388,297
Loan to the Holding Company (Net)	(800,000)	(350,142)
NET CASH USED IN FINANCING ACTIVITIES	(366,930)	38,155
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B)	(1,118,029)	880,201
* CASH & CASH EQUIVALENTS - OPENING BALANCE	1,321,983	441,782
	203,954	1,321,983
* CASH & CASH EQUIVALENTS - CLOSING BALANCE	203,954 **	1,321,983
* Represents Cash and Bank Balances as indicated in Schedule 6.		
** Includes Rs 18,000 (Rs 72,680) lying in Fixed Deposit with Banks		

In terms of our attached Report of even date.

S.R.Batliboi & Co.

Chartered Accountants

Per **R. K. Agrawal**

a Partner

Membership No 16667

Place: Kolkata

Dated : 28th May 2007

G. N. Pareek

U. C. Tiwari

DIRECTORS

Schedules to the Balance Sheet

	March 31, 2007 Rs.	March 31, 2006 Rs.
SCHEDULE 1 : SHARE CAPITAL		
Authorised:		
2,50,000 Ordinary Shares of Rs.10 each	2500000	2500000
1,22,50,000 Shares of Rs.10 each	122500000	122500000
7,50,000 Shares of Rs.100 each	75000000	75000000
	200000000	200000000
Issued & Subscribed:		
2,50,000 Ordinary Shares of Rs.10 each fully paid in cash	2500000	2500000

Note: The whole of the above subscribed capital is held by Hindustan Motors Limited, the Holding Company and its nominees.

SCHEDULE 2 : LOANS

UNSECURED:		
Security Deposits	6300	6300
	6300	6300

SCHEDULE 3 : FIXED ASSETS

DESCRIPTION OF ASSETS	GROSS BLOCK		DEPRECIATION			NET BLOCK	
	As at March 31, 2006 (Rs.)	As at March 31, 2007 (Rs.)	Upto March 31, 2006 (Rs.)	For the year (Rs.)	Upto March 31, 2007 (Rs.)	As at March 31, 2007 (Rs.)	As at March 31, 2006 (Rs.)
Furniture & Other Equipment	132323	132323	128355	705	129060	3263	3968
Total - This year	132323	132323	128355	705	129060	3263	3968
Total - Previous year	132323	132323	127490	865	128355	3968	4833

Schedules to the Balance Sheet

	March 31, 2007 Rs.	March 31, 2006 Rs.
SCHEDULE 4 : MOTOR VEHICLES GIVEN ON HIRE PURCHASE CONTRACTS, VALUED AT HIRES RECEIVABLE :		
Non-Performing Assets		
Doubtful Assets	1124665	-
Loss Assets	2860961	4054226
	<u>3985626</u>	<u>4054226</u>
Less: Provision for Non Performing Assets	3536975	3283906
	<u>448651</u>	<u>770320</u>
SCHEDULE 5 : SUNDRY DEBTORS		
Unsecured, Considered good except otherwise stated:		
<i>Debts due for more than 6 months</i>		
Loss Assets	397820*	397820
Less: Provision for Non Performing Assets	397820	175718
	<u>-</u>	<u>222102</u>
* Includes considered doubtful Rs.3,97,820 (Rs 1,75,718)		
SCHEDULE 6 : CASH & BANK BALANCES		
Cash in hand	216	56208
With Scheduled Banks on:		
Current Account	124869	1193095
Fixed Deposit Account (Includes Rs 18000 for which the receipts are lying deposited with the Civil Court)	78869	72680
	<u>203954</u>	<u>1321983</u>
SCHEDULE 7 : LOANS & ADVANCES		
Unsecured, considered good, except otherwise stated:		
Loan to the Holding Company *	4200000	5000000
Advances recoverable in cash or in kind or for value to be received or pending adjustments	56803**	22299
Tax deducted at source	179198	82488
Deposits	1850	55738
	<u>4437851</u>	<u>5160525</u>
Less: Provision for doubtful advances	22558	-
	<u>4415293</u>	<u>5160525</u>
* Maximum amount due during the year Rs.50,00,000 (Rs 50,00,000)		
** Includes considered doubtful Rs 22,558 (Rs Nil)		
SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors for goods, services, expenses etc.*	224945	1645193
For Other Finance	1250	124183
	<u>226195</u>	<u>1769376</u>
B. PROVISIONS		
For Fringe Benefit Tax	20000	25000
For Leave Liability	81634	77805
Estimated Unearned Finance Charges carried forward	231633	237484
	<u>333267</u>	<u>340289</u>
	<u>559462</u>	<u>2109665</u>
Includes Rs Nil(Rs 8,34,267) due to the Holding Company		

Schedules to the Profit & Loss Account

	2006-2007 Rs.	2005-2006 Rs.
SCHEDULE 9 : FINANCE CHARGES & COMMISSION		
Estimated Unearned Finance Charges brought forward from previous year	237484	251868
Less: Estimated Unearned Finance Charges carried forward to next year	<u>231633</u>	<u>237484</u>
	5851	14384
SCHEDULE 10 : OTHER INCOME		
Interest from Hirers & Others	6593	21975
Interest from the Holding Company (Tax at source Rs.96,710 (Rs.82,488)	430966	367960
Rent	94343	188503
Unclaimed balances adjusted	-	38354
Provisions no longer required written back	<u>57320</u>	<u>215740</u>
	589222	832532
SCHEDULE 11 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries & Bonus	336479	319277
Contribution to Provident, Gratuity & Other Funds	44204	41085
Welfare Expenses	<u>24793</u>	<u>20582</u>
	405476	380944
SCHEDULE 12 : OTHER EXPENSES		
Rent	137699	330477
Rates & Taxes	2150	2010
Travelling Expenses	68206	58739
Conveyance Expenses	43938	78420
Electricity Charges (Net)	7947	8335
Legal Expenses	-	20420
Selling Expenses	25000	36485
Postage, Telegrams & Telephones	18392	36162
Consultancy Charges	-	10000
Bank Charges	1040	7135
Miscellaneous Expenses	89209	101897
Provision for doubtful advances	22558	-
Auditors' Remuneration :		
As Auditors	40000	40000
Reimbursement of Service Tax	4896	4080
Reimbursement of Travelling Expenses	-	2250
Items pertaining to previous years	<u>4000</u>	<u>24427</u>
	465035	760837

Schedule to the Balance Sheet and Profit & Loss Account

SCHEDULE 13 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. ACCOUNTING POLICIES

i) **Basis of Accounting :**

The Company prepares its accounts on accrual basis, except otherwise stated, in accordance with the normally accepted accounting principles.

ii) **Revenue Recognition:**

- a) Revenue from sale of goods and services rendered is recognised upon passage of title and rendering of services to the customers.
- b) Income in respect of Finance Commission is recognised at the time of execution of Hire Purchase Agreement.
- c) The following accounts due to uncertainty in realisation, are maintained on actual receipt basis:
 - i) Income on non-performing assets as per guidelines prescribed by the Reserve Bank of India
 - ii) Interest and Miscellaneous charges recoverable on overdue hires,
 - iii) Rent from a Sub-tenant.

iii) **Fixed Assets:** Fixed Assets are stated at cost less accumulated depreciation and impairment, if any.

iv) **Depreciation:**

- a) Depreciation on Fixed Assets is provided on Written Down Value Method at the rates specified in Schedule XIV of Companies Act, 1956 or estimated useful life whichever is higher.
- b) Depreciation on Fixed Assets added/disposed off during the year, is provided on pro-rata basis with reference to the month of addition/disposal.

v) **Retirement and Other Employee Benefits:**

Defined Contribution Plans

Company's contributions to Provident Fund and Superannuation Schemes are charged to the Profit & Loss Accounts of the year when the contributions are due. The Company has no obligations other than the contributions payable to the respective trusts.

Defined Benefit Plans

Gratuity liability and Leave liability is provided for based on actuarial valuation made at the end of each financial year. Actuarial gain and losses are recognised immediately in the statement of Profit & Loss Account as income or expenses.

vi) **Hire Receivable and Debtors**

Provision for Non-Performing Assets is made as per the guidelines prescribed by the Reserve Bank of India.

vii) **Taxation:**

- a) Tax expenses comprise of current, deferred & fringe benefit tax . Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax ,1961. Deferred Income taxes reflects the impact of current year timing differences between taxable income for the year and reversal of timing differences of earlier years.
- b) The deferred tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and laws that have been substantially enacted as of the Balance Sheet date . Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward unabsorbed depreciation and tax losses, deferred tax assets are recognised only to the extent there is virtual certainty supported by convincing evidence that sufficient taxable income will be available against which such deferred tax asset can be realised.

Schedule to the Balance Sheet and Profit & Loss Account

viii) Segment Reporting:

a) Identification of Segments:

The Company has identified that its operating segments are the primary segments. The Company's operating businesses are organised and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which the customers of the Company are located.

b) Allocation of Common Costs:

Common allocable costs are allocated to each segment on case to case basis applying the ratio, appropriate to each relevant case. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segment on a reasonable basis, have been included under the head "Unallocated".

The accounting policies adopted for segment reporting are in line with those of the Company.

ix) Earning Per Share:

Earning Per Share is calculated by dividing the net profit or loss for the period attributable to equity shareholders, by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

x) Contingencies:

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

xi) Provisions:

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

2. Contingent liability not provided for in respect of :

Amount in Rupees

March 31, 2007 March 31, 2006

Claims not acknowledged as debts by the Company

- Outstanding Bank Guarantees	18000	72680
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3. The Suit filed for recovery of Rent from a Sub-tenant, is still pending in the Hon'ble Court. The Court by way of an interim order has directed for payment of rent in instalments without prejudice to the rights and contentions of the parties to the Suit. But, the Sub-tenant has defaulted in payment as directed in the Court's Interim Order, against which the Company has moved to the Hon'ble Kolkata High Court.

4. Earning Per Share (EPS) :-

In terms of Accounting Standard-20, the calculation of EPS is given below:-

	2006-2007	2005-2006
Loss as per Accounts	857130	1371605
Weighted Average Number of Shares	250000	250000
Basic and Diluted EPS (Rs)	(3.43)	(5.49)
Nominal value per share (Rs.)	10.00	10.00

Schedule to the Balance Sheet and Profit & Loss Account
5. Related Party Disclosure:**(a) Name of the related parties:**

100 % Holding Company:	Hindustan Motors Limited
Fellow subsidiaries:	HM Export Ltd. Hindustan Motors Ltd,U.S.A
Key Management Personnel:	None

(b) Aggregated Related Party Disclosures

(Transactions have taken place on arm's length basis)

	Holding Company
Interest Received	430,966 (367,960)
Intercompany Loans given and due on 31.3.2007	4,200,000 (5,000,000)
Creditors & Other payables	- (834,267)

6. The Company's segment information as at and for the year ended 31st March 2007 are as below :-

Amount in Rupees

	Bullet Proofing	Hire Purchase Finance	Total
(a) Revenue *	- (1248889)	5851 (14384)	5851 (1263273)
(b) Segment results	-319623 (40286)	-1026624 (1975390)	-1346247 (-2015676)
Unallocated income net of unallocated expenses			511733 (762862)
Loss			834514 (1252814)
Interest expense			4085 (89711)
Provision for Fringe Benefit Tax			20000 (25000)
Excess Provision for Fringe Benefit Tax Written Back			-1469
Short Provision/Excess Provision for Income Tax paid/written Back			- (4080)
Net Loss after Tax			857130 (1371605)
(c) Total Assets			
Segment Assets	95468 (1,269,307)	4796495 (6127103)	4891963 (7396410)
Unallocated Corporate Asset			232198 (135084)
			<u>5124161</u> <u>(7531494)</u>

Schedule to the Balance Sheet and Profit & Loss Account

	Amount in Rupees		
	Bullet Proofing	Hire Purchase Finance	Total
(d) Total Liabilities			
Segment Liabilities	18121	521341	539462
	(897582)	(1187083)	(2084665)
Unallocated Corporate Liability			26300
			(31300)
			<u>565762</u>
			(2115965)
(e) Other Information			
Capital expenditure	-	-	-
	(-)	(-)	(-)
Depreciation	-	705	705
	(-)	(865)	(865)
(f) Geographical Segment Revenue			
India		5851	
		(1263273)	
Overseas		-	
		(-)	

* Net of Value Added tax

- (i) Business segment : The business segment have been identified on the basis of products of the Company. Accordingly the Company has identified "Bullet Proofing" and "Hire Purchase Finance" as the operating segments :

Bullet Proofing : Consists of Job work for bullet proofing operations of vehicles.

Hire Purchase Finance : As the Hire Purchase consists of finance charges and commission on hire purchase contracts and interest.

- (ii) Geographical Segment: There is no geographical segment since the Company operates in India only.

- 7 The Company has decided to adopt Accounting Standard 15 (revised) "Employee Benefits", and has accordingly changed its accounting policies for gratuity and Compensated absence liability. This change does not have material impact on the loss for the year.

Disclosure under Accounting Standard- 15 (Revised) on 'Employee Benefits'

A. Defined Contribution Plan	2006-07	2005-06
	Rs.	Rs.
Contribution to Provident Fund	31154	29025
Contribution to Super Annuation Fund	13050	12060

B. Defined Benefit Plan

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets Gratuity on terms not lower than the amount payable under the Payment of Gratuity Act, 1972. The aforesaid scheme is funded with an Insurance Company

Schedule to the Balance Sheet and Profit & Loss Account

Sl.	Particulars	In Rupees Gratuity 2006-07
I	Net Employee Expense/(benefit)	
1	Current Service Cost	10194
2	Interest cost on benefit obligation	31953
3	Expected Return on plan assets	(30072)
4	Net Actuarial gain/loss recognised in the year	(12075)
5	Total employee expenses recognised in Profit & Loss Account	-
II	Actual return on plan assets	32705
III	Benefit Asset/(Liability)	
1	Defined benefit obligation	408624
2	Fair Value of Plan Assets	408624
3	Benefit Asset/(Liability)	-
IV	Movement in benefit liability	
1	Opening defined benefit obligation	375919
2	Interest cost	31953
3	Current Service Cost	10194
4	Benefits paid	-
5	Actuarial (gains)/losses on obligation	(9442)
6	Closing benefit obligation	408624
V	Movement in fair value of plan assets	
1	Opening fair value of plan assets	375919
2	Return on plan assets(actual)	32705
3	Contribution by employer	-
4	Benefits paid	-
5	Closing fair value of plan assets	408624
VI	The principal actuarial assumptions are as follows	
1	Discount Rate	8.50%
2	Salary increase	3.50%
3	Withdrawal Rate	Varying 1 % per annum depending upon duration and age of the employees.
4	Expected rate of return on Plan Asset	8%

Note:

- The estimates of future salary increase considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- The Company has early adopted AS 15 (Revised) on employee benefits w.e.f. April 1, 2006 and therefore, the disclosures as mentioned in (B) above are given only for the current year.
- The information in respect of defined benefit obligation for previous four years are not available and hence not furnished.

Schedule to the Balance Sheet and Profit & Loss Account

- 8 In terms of accounting policy disclosed vide note no 1 vi(a) above, Deferred tax asset of Rs 15,98,000 has not been recognized in the accounts.
- 9 Information as required in terms of Paragraph 9BB of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 to the extent applicable to the Company:
- i) Borrower groupwise classificaton of stock on hire counting towards Hire Purchase activities and sundry debtors towards Bullet proofing activities

Category	Amount net of provisions (Rs)		
	Secured	Unsecured	Total
1 Related Parties			
Subsidiaries	-	-	-
Companies in the same group	-	-	-
Other related parties	-	-	-
	-	-	-
2 Other than related parties	-	448,651	448,651
Total	-	448,651	448,651

ii) Other Information	<u>Amount (Rs)</u>
<u>Particulars</u>	
i) Gross Non-Performing Assets	
(a) Related Parties	-
(b) Other than Related parties	-
ii) Net Non-Performing Assets	
(a) Related Parties	-
(b) Other than Related parties	448,651
iii) Assets acquired in satisfaction of debt	-

10 Information pursuant to the Provisions of Paragraphs 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956, to the extent applicable - NIL

11 Previous year's figures (including those which are in bracket) have been regrouped/ rearranged wherever necessary.

Signatures to Schedules 1 to 13

In terms of our attached Report of even date.

S.R.Batliboi & Co.*Chartered Accountants*Per **R. K. Agrawal***a Partner*

Membership No 16667

Place: Kolkata

Dated : 28th May 2007

G. N. Pareek**U. C. Tiwari****DIRECTORS**

HINDUSTAN MOTOR FINANCE CORPORATION LIMITED

ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF SCHEDULE VI, PART IV OF THE COMPANIES ACT, 1956 (VIDE NOTIFICATION NO.3/24/94-CL-V(A) DATED 15-5-1995)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**I. REGISTRATION DETAILS**

Registration No.	8866	State Code	21
Balance Sheet Date	31-3-2007		

II CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III POSITION OF MOBILIZATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total liabilities	4,565	Total Assets	4,565
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SOURCES OF FUNDS

Paid up Capital	2,500	Reserves & Surplus	2,058
Secured Loan	Nil	Unsecured Loan	6

APPLICATION OF FUNDS

Net Fixed Assets	3	Investments	Nil
Net Current Assets	4,562	Deferred Tax Asset	Nil
Accumulated Losses	Nil		

IV PERFORMANCE OF THE COMPANY (Amount in Rs. Thousands)

Turnover	595 *	Total Expenditure	1,434
Loss before Tax	838	Loss after Tax	857
Earnings Per Share (Rs.)	(3.43)	Dividend Rate (%)	Nil

* Including Other Income

V GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY

Item Code No.(ITC Code)	870300
Product Description	Hire Purchase of Motor Vehicles

Report of the Directors

To the Shareholders,

Your Directors hereby present their report together with Audited Accounts of the Company for the year ended 31st March 2007.

During the year under review the revenue account reflects a profit of Rs.11,45,736 after providing Rs.41,639 for depreciation and Rs.6,71,400 for taxation and fringe benefit tax. After taking into account Rs.8,101 on account of deferred tax liability, credit balance of Rs.75,02,530 brought forward from the previous years, there remains a credit balance of Rs.86,40,230 which your Directors have decided to carry forward.

During the year under review the Company had exported, Rural Transport Vehicles, Ambassador cars, Engines and Auto parts to U.K., Japan, Bangladesh, Singapore, Ajman, UAE, Kenya, Nigeria, Yemen, Nepal, Kuwait and Iran. The total export during the year was approx. Rs.290 lacs as against Rs.320 lacs in the previous year.

Directors' Responsibility Statement

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Board of Directors confirms:

- A that in the preparation of the annual accounts, for the year ended 31st March 2006, all the applicable accounting standards prescribed by the Institute of Chartered Accountants of India, have been followed:
- B that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year.
- C that the Directors have 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.
- D that the Directors have prepared the annual accounts on a going concern basis.

None of the employees of the Company receive salary as prescribed in Section 217(2A) of the Companies Act, 1956. Hence, no disclosure is made.

The particulars of Foreign Exchange earnings and expenses appear in Notes B(8) and B(9) respectively of Schedule 14 to the accounts. Since the Company did not own any manufacturing facility, the other particulars of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

Shri K K Choudhury retires from the Board of Directors by rotation and is eligible for re-appointment.

The Auditors, Messrs. G. Basu & Co., Chartered Accountants, also retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

9/1 Rajendra Nath Mukherjee Road,
Kolkata – 700 001, 11th May 2007

S. P. SINGHI
K. K. CHOUDHURY
DIRECTORS

AUDITORS' REPORT TO THE MEMBERS OF HM EXPORT LTD.

1. We have audited the attached Balance Sheet of **HM EXPORT LIMITED** as at 31st March, 2007 and also the Profit & Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and as amended vide GSR766(E) dated 25.11.2004 we enclose in the Annexure a statement on the matters specified in paragraphs – 4 and 5 of the said Order.
4. Further to our comments in the "Annexure" referred to in Paragraph - 3 above, we report that :
 - i) 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.
 - ii) In our opinion proper Books of Account, as required by law, have been kept by the Company so far as appears from our examination of the books of the Company.
 - iii) The Balance Sheet and Profit & Loss Account dealt with by this Report are in agreement with the Books of Account.
 - iv) In our opinion the Profit and Loss Account and the Balance Sheet comply with Accounting Standards referred to in sub-section 3(C) of Section 211 of the Companies Act, 1956.
 - v) On the basis of written representations received from the directors as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 .
 - vi) In our opinion and to the best of our information and according to explanations given to us, the said accounts read with other Notes appearing in Schedule – 14 give the information required by the Companies Act, 1956 in the manner so required and give 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, 2007 and
 - b) In the case of Profit & Loss Account, of the profit of the Company for the year ended on that date.
 - c) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

Kolkata
11th May 2007

For **G. Basu & Co.**
Chartered Accountants
H. S. Gomes
Partner
Membership No. 093230

Annexure To The Auditors' Report

This is referred to in paragraph 3 of our report of even date

1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
2. The fixed assets have been physically verified during the year by the management and no material discrepancies were noticed on such verification.
3. During the year, the Company has not disposed of a substantial part of its fixed assets.
4. The Inventory has been physically verified by the management at reasonable intervals.
5. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
6. On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. No discrepancy is noticed on verification between the physical stocks and book records.
7. The Company has not taken any loan secured or unsecured from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
8. No loans secured or unsecured have been granted by the Company, to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
9. As the Company has neither taken any loan secured or unsecured from any company, firm or other party covered in the Register maintained under Section 301 of the Companies Act, 1956 nor granted any loan secured or unsecured to any company, firm or other party covered in the Register maintained under Section 301 of the aforesaid Act, paragraphs 4(iii) (b)(c) (d), (e), (f) & (g) of Companies (Auditor's Report) Order, 2003 are not applicable this year.

In respect of loan given to the Holding Company, the rate of interest and other terms and conditions thereof are *prima-facie* not prejudicial to the interest of the Company loans given to Holding Company are generally being recovered as per stipulations whether applicable, together with interest.

10. 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 purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit no major weakness has been noticed in the internal control systems.
11. Based on audit procedures applied by us and according to the information and explanations provided by the management we have to state that there were no transactions which are required to be entered into the register maintained under Section 301.
12. In view of the fact that there were no transactions which are required to be entered in the Register under Section 301 as stated in paragraph 11 above clause 4(v) (b) of the Order are not applicable this year.
13. In our opinion and according to the information and explanations given to us the Company has not accepted any deposit from the public.
14. In our opinion, the Company, has an internal audit system commensurate with the size and nature of its business.
15. Government has not prescribed maintenance cost records under Section 209(1)(d) of the Companies Act, 1956 for the year under review.
16. According to the books and records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund,

Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other statutory dues applicable to it.

17. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess were outstanding as at 31st March, 2007 for a period of more than 6 months from the date they became payable.
18. According to the records of the Company, there are no dues of sales tax, income tax, customs duty, excise duty, wealth tax, service tax which have not been deposited on account of any dispute.
19. There are no accumulated losses of the Company. Company has incurred cash losses during the financial year covered by our audit. However the Company has not incurred cash losses in the immediately preceding financial year.
20. Based on our audit procedures and on the basis of information and explanations given by the management, we have to state that since the Company has not taken any loan from financial institutions, banks or raised any debenture clause 4(xi) of the orders is not applicable this year.
21. Based on our examination of documents and records, we state that the Company has not granted any loans and advances on the basis of securities by way of pledge of shares, debentures and other securities and as such clause 4(xii) of the order is not applicable this year.
22. Since the Company is a Trading company provision of any special statute applicable to a chit fund, nidhi/ mutual benefit fund/ societies are not applicable to this Company and as such this report does not include a statement on the matter specified in clause 4(xiii)(a),(b),(c) & (d) of the Order.
23. The Company is neither dealing or trading in shares, securities, debentures, and other investments, nor held any such securities. This report does not include a statement on the matter specified in clause 4(xiv) of the Order.
24. The Company has not given any guarantee for loans taken by others from banks or financial institutions.
25. On the basis of our examination of books and records and the information and explanations given by the management, we state that the Company has not obtained any term loan.
26. No fund raised on short term basis has been used for long term investment.
27. The Company is a wholly owned subsidiary of Hindustan Motors Limited and the Company has not issued any shares and as such paragraph 4(xviii) is not applicable this year.
28. During the period covered by our audit report the Company has not issued any debenture. Hence paragraph 4(xix) is not applicable this year.
29. The Company has not raised any money by public issues and as such paragraph 4(xx) is not applicable this year.
30. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

Kolkata
11th May 2007

For **G. Basu & Co.**
Chartered Accountants
H. S. Gomes
Partner
Membership No. 093230

Balance Sheet as at March 31, 2007

	Schedule	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
SOURCES OF FUNDS			
A SHAREHOLDERS' FUNDS			
a. Share Capital	1	500000	500000
b. Reserves & Surplus	2	14161230	13023530
		<u>14661230</u>	<u>13523530</u>
APPLICATION OF FUNDS			
A. FIXED ASSETS	3		
a. Gross Block		320200	429198
b. Less : Depreciation		<u>218202</u>	<u>281805</u>
c. Net Block		<u>101998</u>	<u>147393</u>
B. CURRENT ASSETS, LOANS & ADVANCES			
a. Inventories		-	-
b. Sundry Debtors	4	-	-
c. Cash and Bank Balances	5	4060702	6122509
d. Other Current Assets	6	121885	603825
e. Loans & Advances	7	13847938	14411028
		<u>18030525</u>	<u>21137362</u>
C. LESS : CURRENT LIABILITIES & PROVISIONS	8		
a. Current Liabilities		2158850	6532081
b. Provisions		<u>1237400</u>	<u>1146000</u>
		<u>3396250</u>	<u>7678081</u>
NET CURRENT ASSETS		14634275	13459281
DEFERRED TAX LIABILITY	9	<u>75043</u>	<u>83144</u>
		<u>14559232</u>	<u>13376137</u>
		<u>14661230</u>	<u>13523530</u>
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	14		

Schedules 1 to 9 and 14 referred to above form an integral part of the Balance Sheet.

In terms of our attached Report of even date.

For **G. Basu & Co.**
Chartered Accountants

H. S. Gomes
Partner
Membership No. 093230

3, Chowringhee Approach
Kolkata-700 072, 11th May 2007

S. P. SINGHI
K. K. CHOUDHURY
DIRECTORS

Profit & Loss Account for the year ended March 31, 2007

	Schedule	Year ended March 31, 2007 Rs.	Year ended March 31, 2006 Rs.
INCOME			
Sales	10	29043034	32495118
Other Income	11	1146549	1052014
		<u>30189583</u>	<u>33547132</u>
EXPENDITURE			
Increase/Decrease in Stocks		-	-
Purchase of Traded Goods		25862611	29839749
Payments to and Provisions for Employees	12	797857	739021
Other Expenses	13	1643442	1399014
Directors' Remuneration		24000	20000
		<u>28327910</u>	<u>31997784</u>
PROFIT BEFORE INTEREST, DEPRECIATION & TAXATION		<u>1861673</u>	<u>1549348</u>
Interest		10999	12185
Depreciation		41639	62613
		<u>52638</u>	<u>74798</u>
PROFIT BEFORE TAXATION		<u>1809035</u>	<u>1474550</u>
Less : Provision for Taxation		625000	511400
		<u>1184035</u>	<u>963150</u>
Add /Less : Deferred Tax Liability (Net)		8101	14672
		<u>1192136</u>	<u>977822</u>
Less : Provision for Fringe Benefit Tax		46400	54600
		<u>1145736</u>	<u>923222</u>
PROFIT AFTER TAXATION		<u>1145736</u>	<u>923222</u>
Add /Less : Income-tax for earlier year		8036	-
Balance Brought forward from Previous year		7502530	6579308
BALANCE CARRIED TO BALANCE SHEET		<u>8640230</u>	<u>7502530</u>
Earning per share - Basic and Diluted (Rs.)		22.91	18.46
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	14		

Schedules 10 to 14 referred to above form an integral part of the Profit & Loss Account.

In terms of our attached Report of even date.

3, Chowringhee Approach
Kolkata-700 072, 11th May 2007

For **G. Basu & Co.**
Chartered Accountants
H. S. Gomes
Partner
Membership No. 093230

S. P. SINGHI
K. K. CHOUDHURY
DIRECTORS

Cash Flow Statement for the year ended March 31, 2007

	March 31, 2007 Rs.	March 31, 2006 Rs.
(A) CASH FLOW FROM OPERATING ACTIVITIES:		
NET PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEMS:	1809035	1474550
ADJUSTMENT FOR:		
Depreciation	41639	62613
Interest Expenses (Net)	10999	12185
Loss on sale of Fixed Assets	-	91358
Interest Income	-1135149	-1052015
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES	726524	588691
Increase/Decrease(-) in Trade Payables	-4373231	4518936
Decrease/Increase(-) in Trade & Other Receivables	238422	-1074796
Decrease/Increase(-) in Inventories	-	-
CASH GENERATED FROM OPERATIONS	-3408285	4032831
Less: Direct Tax Paid(Incl. TDS & FBT)/Received (Net) (including for earlier years)	-761428	-659459
NET CASH FLOW FROM OPERATING ACTIVITIES	-4169713	3373372
(B) CASH FLOW FROM INVESTING ACTIVITIES:		
Advance against purchase of Shares	-20000	-
Interest Received	16929	12015
Sale of Fixed Assets	3756	184615
Received against loan to Holding Company	2000000	10000000
Loan paid to Holding Company	-1000000	-12000000
Interest received against loan to Holding Company	1118220	1040000
NET CASH FLOW FROM INVESTING ACTIVITIES	2118905	-763370
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Interest Paid (Net of Interest Received)	-10999	-12185
NET CASH FLOW FROM FINANCING ACTIVITIES	-10999	-12185
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	-2061807	2597817
*CASH & CASH EQUIVALENTS - OPENING BALANCE	6122509	3524692
	4060702	6122509
*CASH & CASH EQUIVALENTS - CLOSING BALANCE	4060702	6122509

*Represents Cash and Bank Balances as indicated in Schedule 5.

In terms of our attached Report of even date.

For **G. Basu & Co.**
Chartered Accountants
H. S. Gomes
Partner
Membership No. 093230

3, Chowringhee Approach
Kolkata-700 072, 11th May 2007

S. P. SINGHI
K. K. CHOUDHURY
DIRECTORS

Schedules to the Balance Sheet

		As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
SCHEDULE 1 : SHARE CAPITAL			
Authorised :			
50,000 Equity Shares of Rs 10 each		<u>500000</u>	<u>500000</u>
Issued & Subscribed :			
50,000 Equity Shares of Rs 10 each fully paid up		<u>500000</u>	<u>500000</u>
(2,100)			
Notes :	1) The entire Subscribed Capital is held by Hindustan Motors Limited, the Holding Company and its nominees.		
	2) Issued & Subscribed Capital includes 47,900 Equity Shares issued and allotted as fully paid Bonus Shares by capitalisation of General Reserve.		

SCHEDULE 2 : RESERVES & SURPLUS**GENERAL RESERVE :**

As per last account	<u>5521000</u>	<u>5521000</u>
	<u>5521000</u>	<u>5521000</u>
SURPLUS AS PER PROFIT & LOSS ACCOUNT	<u>8640230</u>	<u>7502530</u>
	<u>14161230</u>	<u>13023530</u>

SCHEDULE 3 : FIXED ASSETS

DESCRIPTION OF ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at March 31, 2006	Additions	Sales/ Adjust- ments	Total to March 31, 2007	Total March 31, 2006	For the Year	Less on Sales/ Adjust- ments	Upto March 31, 2007	As at March 31, 2007	As at March 31, 2006
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Machinery & Equip.	69190	-	-	69190	16104	3286	-	19390	49800	53086
Computer	345598	-	108998	236600	251291	38353	105242	184402	52198	94307
Furniture & Fittings	14410	-	-	14410	14410	-	-	14410	-	-
Total-This year	<u>429198</u>	<u>-</u>	<u>108998</u>	<u>320200</u>	<u>281805</u>	<u>41639</u>	<u>105242</u>	<u>218202</u>	<u>101998</u>	<u>147393</u>
Total-Previous year	<u>769213</u>	<u>-</u>	<u>340015</u>	<u>429198</u>	<u>283234</u>	<u>62613</u>	<u>64042</u>	<u>281805</u>	<u>147393</u>	<u>485979</u>

	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
--	--------------------------------	--------------------------------

SCHEDULE 4 : SUNDRY DEBTORS

Considered good except otherwise stated :		
a) Debts outstanding for a period exceeding six months :		
Unsecured (considered doubtful)	29810	29810
Less: Provision for doubtful debts	<u>29810</u>	<u>29810</u>
	<u>-</u>	<u>-</u>

Schedules to the Balance Sheet

	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
SCHEDULE 5 : CASH & BANK BALANCES		
Cash in hand (Including cheques)	19791	17630
with Scheduled Banks on :		
Fixed Deposit Account	270000	—
Current Account	3770911	6104879
	<u>4060702</u>	<u>6122509</u>
SCHEDULE 6 : OTHER CURRENT ASSETS		
Unsecured :		
Considered good :		
Interest accrued on Deposits/Loan	3602	—
Export Incentives receivable	98283	98283
DEPB Licence	—	505542
Advance against purchase of Shares	20000	—
	<u>121885</u>	<u>603825</u>
SCHEDULE 7 : LOANS & ADVANCES		
Unsecured :		
Considered good :		
Other advances recoverable in cash or in kind or for value to be received or pending adjustments	9000	44000
Advance Payment of Fringe Benefit Tax	102870	56170
Advance payment of Income Tax	1286269	1159577
Advance against orders to Holding Company	1449799	1151281
Inter Corporate Loan to Holding Company	11000000	12000000
	<u>13847938</u>	<u>14411028</u>
SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors for goods, services, expenses etc. *	37453	102103
Advance against Orders	2121397	6421457
Other Liabilities	—	8521
	<u>2158850</u>	<u>6532081</u>
B. PROVISIONS		
For Taxation	1237400	1146000
	<u>3396250</u>	<u>7678081</u>
* Amount outstanding to small scale industrial undertakings is nil		
SCHEDULE 9 : DEFERRED TAX LIABILITY		
Balance as per last Account	83144	97816
Less/Add : during the year (Refer Note No. B(2) of Schedule 14)	8101	14672
	<u>75043</u>	<u>83144</u>

Schedules to the Profit & Loss Account

	Year ended March 31, 2007 Rs.	Year ended March 31, 2006 Rs.
SCHEDULE 10 : SALES		
Export Sales	28996876	31989576
Export Incentives	46158	505542
	<u>29043034</u>	<u>32495118</u>
SCHEDULE 11 : OTHER INCOME		
Interest on Fixed Deposits (including TDS Rs.3799/- prev. yr. Rs.2710/-)	16929	12014
Interest from holding Company on loan (including TDS Rs.250929/- prev.yr.Rs.233376/-)	1118220	1040000
Miscellaneous Income	7225	—
Unspent Liabilities and Provisions no longer required written back	4175	—
	<u>1146549</u>	<u>1052014</u>
SCHEDULE 12 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages & Bonus	685553	634662
Contribution to Provident, Gratuity & Other Funds	55067	67264
Welfare Expenses	57237	37095
	<u>797857</u>	<u>739021</u>
SCHEDULE 13 : OTHER EXPENSES		
Loss on Sale of DEPB Licence	—	13907
Insurance	—	5907
Rates & Taxes	3900	11787
Delivery Charges, Freight & Transportation etc.	576933	72217
Travelling Expenses	397117	441951
Miscellaneous Expenses	468686	437877
Exchange Rate Difference (Net)	76848	211225
Rent & Hire charges	80000	93500
Commission Paid	21168	—
Loss on Sale of Fixed Assets	—	91358
Auditors' Remuneration :		
As Auditors	14045	13775
Other Services for issuing various certificates	4745	5510
	<u>1643442</u>	<u>1399014</u>

Schedule to the Balance Sheet and Profit & Loss Account

SCHEDULE 14 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. ACCOUNTING POLICIES :

- i For recognition of income and expenses, Mercantile System of Accounting is followed consistently.
- ii Revenue from sale of goods is recognised upon passage of title to the customers.
- iii Insurance and other claims, to the extent considered recoverable, are accounted for in the year of claim. However, claims and refunds whose recovery cannot be ascertained with reasonable certainty, are accounted for on acceptance/actual receipt basis.
- iv. **FIXED ASSETS**
Fixed Assets are stated at cost of acquisition inclusive of registration charges.
- v. **FOREIGN CURRENCY TRANSACTIONS :**
Transactions during the year are accounted at the rate prevailing on the date of despatch/transaction. Exchange differences arising on realisations are taken into Exchange Rate Difference Account. Year end foreign currency assets/liabilities have been converted at year end rate and resulting exchange gain/loss have been accounted for.
- vi. **DEPRECIATION :**
Depreciation on Fixed Assets has been provided on Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956, (as amended).
- vii. **INVESTMENTS :**
Long Term Investments are considered "at cost".
- viii. **INVENTORIES :**
Stock of traded goods is valued at cost or market rate whichever is lower on first in first out basis.
- ix. **RETIREMENT BENEFITS :**
 - (a) The Company is participating in an approved gratuity fund which has taken a group gratuity insurance policy with Life Insurance Corporation of India, for future payment of gratuity to employees. The Company accounts for gratuity liability equivalent to the premium amount payable to Life Insurance Corporation of India every year.
 - (b) Leave payments to employees are accounted for on actuarial valuation basis.
- x. **DEFERRED TAXATION:**
Deferred tax is recognised, subject to consideration of prudence, on timing differences, being difference between taxable and accounting income/expenditure that originate in one period and are capable of reversal in one or more subsequent period(s). Deferred tax assets are not recognised unless there is "virtual certainty" that sufficient future taxable income will be available against which such deferred tax assets will be realised.
- xi. **CONTINGENCIES:**
Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

B. NOTES ON ACCOUNTS :

- 1 Leave liability is provided for on the basis of actuarial valuation
- 2 The break-up of Deferred Tax liability as on 31st March 2007 is as follows:-

Rs.

A) Deferred Tax Liability

Timing difference in depreciable assets	75737
	<u>75737</u>

B) Deferred Tax Asset

Expenses allowable against taxable income in future years	694
---	-----

Net Deferred Tax Liability (A – B)	<u>75043</u>
---	---------------------

- 3 Disclosure under Accounting Standard-18 - Related Party Disclosure
(Transactions have taken place on arm's length basis)

<u>Sl No.</u>	<u>Name of related party</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>	<u>Amount(Rs.)</u>
1	Hindustan Motors Ltd.	Holding Company	Purchases (net of return)	13404514
				(16994964)
			Loan given & outstanding as on 31.03.2007	11000000
				(12000000)
			Interest on loan	1118220
				(1040000)
			Advance to holding company against sales order	1449799
				(1151281)
			Sales (net of return)	505542
				(-)
2	Hindustan Motor Finance Corpn Ltd.	Fellow Subsidiary Company	-	-
3	Hindustan Motors Limited, USA	Fellow Subsidiary Company	-	-

- 4 As the Company has only one segment comprising of trading of automobiles and its spare-parts, details regarding segmentation are not applicable pursuant to Accounting Standard 17 issued by the Institute of Chartered Accountants of India.

- 5 **Earnings per share (EPS)** : In terms of Accounting Standards (AS-20) issued by the Institute of Chartered Accountants of India, the calculation of EPS is given below:-

	2006-07	2005-06
Profit as per accounts	1145735	923222
No. of Equity Shares outstanding during the year	50000	50000
Basic & Diluted EPS (Rs.)	22.91	18.46

6 **AS-28**

Considering absence of indication of impairment from external and internal sources of information as laid down under AS-28 issued by ICAI and considering the nature of business no exercise for impairment of fixed assets has been deemed necessary in terms of para 6 of relevant standard.

7 Quantitative information :

Traded goods

Class of Goods	Unit	Purchases		Opening Stock		Closing Stock		Sales	
		Qty.	Rs.	Qty.	Rs.	Qty.	Rs.	Qty.	Rs.
1. On Road Automobile having four or more wheels	Nos.	21	7144021	-	-	-	-	21	8314573
		(2)	(746612)	(-)	(-)	(-)	(-)	(2)	(746613)
2. Isuzu Engine	Nos.	288	12196800	-	-	-	-	288	13605696
		(306)	(12630150)	(-)	(-)	(-)	(-)	(306)	(13723603)
3. Spare Parts	Lot	Lot	6521790	Lot	-	Lot	-	Lot	7076607
		(Lot)	(16462987)	(Lot)	(841950)	(Lot)	(-)	(Lot)	(17519360)
Total			25862611		-		-		28996876
			(29839749)		(-)		(-)		(31989576)

Year ended March 31, 2007	Year ended March 31, 2006
Rs.	Rs.

- 8 Earning in Foreign Exchange : 28563526 31955871
F.O.B. Value of Exports
- 9 Expenses in Foreign Exchange : 117032 53463
Travelling and other Expenses
- 10 Previous year's figures have been regrouped/
rearranged wherever necessary.
- 11 Additional information pursuant to the provisions of Schedule VI after Part III of the
Companies Act, 1956 vide Notification No 3/24/94-CL-V(a) dated 15-5-1995

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details					
Registration No	25330	State Code			21
Balance Sheet Date	31-3-2007				
II. Capital raised during the year (Amount in Rs. thousands)					
Public Issue	-	Nil	Rights Issue	-	Nil
Bonus Issue	-	Nil	Private Placement	-	Nil
III. Position of Mobilisation and Deployment of Fund (Amount in Rs. thousands)					
Total Liabilities	-	14661*	Total Assets	-	14661
Source of Funds :					
Paid-up Capital	-	500	Reserves & Surplus	-	14161
Secured Loans	-	Nil	Unsecured Loans	-	Nil
Application of Funds :					
Net Fixed Assets	-	102	Investments	-	Nil
Net Current Assets	-	14559*	Misc. Expenditure	-	Nil
Accumulated Losses	-	Nil			
* Net of Deferred Tax Liability					
IV. Performance of Company (Amount in Rs. thousands)					
Turnover	-	30190**	Total Expenditure	-	28381
Profit/Loss Before Tax	-	1809	Profit/Loss After Tax	-	1146
Earning per Share in Rs	-	22.91	Dividend rate %	-	Nil
** including other income					
V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)					
Item Code No (ITC Code)	870323				
Product Description	Engines				
Item Code No (ITC Code)	870300				
Product Description	Motor Cars				
Item Code No (ITC Code)	840991				
Product Description	Motor Parts				

In terms of our attached Report of even date.

3, Chowringhee Approach
Kolkata-700 072, 11th May 2007

For **G. Basu & Co.**
Chartered Accountants
H. S. Gomes
Partner
Membership No. 093230

S. P. SINGHI
K. K. CHOUDHURY
DIRECTORS

**Directors' Report of Hindustan Motors Limited, USA
for the period April 2006 to March 2007**

To the Shareholders,

Your Directors hereby present their report together with the Audited Accounts of the Company for the year ended 31st March, 2007.

Financial Highlight and Business Scenario :

During the year under review the revenue increased from \$ 338352.5 to \$ 443025.45 (31% increase). The revenue account however reflects a loss of \$ 125,129.35 after providing for depreciation of \$ 7128.50 compared to a loss of \$ 143876.91 posted during the previous year.

As stated in the report for 2005-06, the major costs reflected in the financial statements relate to expenses incurred for business development and overall growth initiatives. The Company therefore continued to have a negative cash flow since the revenue inflow was not matching the cost.

Future Prospects :

During the year under review the Company had been able to procure orders for providing offshore services from well established new clients namely NSK Corporation and Mitsubishi Motors Corporation. The Company has also taken initiatives for potential expansion of on site business opportunities and control of fixed costs that would improve profitability of the Company.

Efforts are also on with other renowned customers for their availing the offshore services offered by the Company and it is expected that these will fructify into firm contracts thereby adding to the projected profit performance of the Company during the year under review.

30th April 2007

On behalf of the Board
Manesh Agarwal
Robert (Bob) Lewis
Directors

**Auditors' Report (As on 31st March, 2007)
To The Members of Hindustan Motors Limited, USA**

Hindustan Motors Limited, USA has submitted their books ; the audit has not been conducted with the regular GAAP procedures applicable to financial audits. This was not done because Company's size is too small to come under purview for an audit.

I have checked the Profit & Loss and Balance Sheet statements of Hindustan Motors Limited, USA for the period from April 2006 till 31st March 2007 and found them to be in line with the book of accounts.

PIKSTEIN & METZGER, PLLC

Certified Public Accountants

31275, Northwestern Highway, Suite 230
Farmington Hills, MI 48334-2528

Balance Sheet as on March 31, 2007

	31st March 2007 US \$	31st March 2006 US \$
SOURCES OF FUNDS		
Share Capital	100,000.00	100,000.00
Less : Profit & Loss Account : (Op. Bal.)	(335,277.72)	(191,401.86)
Loss for the twelve months	(125,129.35)	(143,876.91)
	(360,407.07)	(335,278.77)
		-235,278.77
Loans & Advances		
HML - India	193,580.19	143,580.19
Birla Soft	-	-
Accounts Payable		
Dues to Principal Officer	92,892.76	101,293.80
Provision for Expenses and Doubtful debts	42,825.10	67,355.29
Payable to HML India-Off shore Billing	210,522.53	135,220.08
David Neuman DBA Vsports	4,070.00	-
	<u>183,483.51</u>	<u>212,170.59</u>
APPLICATION OF FUNDS		
Fixed Assets		
Gross Block	42,131.24	33,481.24
Less : Depreciation	19,625.63	12,497.13
	<u>22,505.61</u>	<u>20,984.11</u>
Current Assets		
Deposit & Advances	4,855.77	2,855.77
Accounts Receivable	151,447.89	175,193.60
Cash & Bank Balances	<u>947.55</u>	<u>5,680.61</u>
Total Current Assets	157,251.21	183,729.98
Pre-operative Expenses	3,727.74	7,456.50
	<u>183,484.56</u>	<u>212,170.59</u>

Michael P. Metzger C.P.A.
Certified Public Accountants

31275, Northwestern Highway, Suite 230
Farmington Hills, MI 48334-2528

Arval Krishna
Principal Officer
Hindustan Motors Limited—USA

Profit & Loss Account for the year ended 31st March, 2007

	2006-2007 US \$	2005-2006 US \$
Revenue		
Sales	443,025.45	338,352.50
Other Income	-	3,008.10
Sales & Other Income	443,025.45	341,360.60
Cost of Services Sold :		
Offshore Services Purchased	170,292.05	89,392.03
Gross Profit (Loss)	272,733.40	251,968.57
Expenses :		
Salaries & Wages	279,305.90	209,251.25
Bank Charges	5,292.69	431.00
Depreciation	7,128.50	6,331.60
Insurance	36,527.27	23,056.24
Commission	9,035.00	7,750.14
Stationery & Postage	-	117.51
Visa Fees	-	15,470.00
Travel & Entertainment	8,596.45	14,750.65
Rent & Taxes	12,938.74	21,920.00
Telephones	6,709.25	6,641.21
Professional Fees	6,000.00	4,500.00
Pre-Operative exp. w/off during the year	3,728.76	3,728.25
Provision for Doubtful Debts	-	30,980.00
Other Expenses	22,600.19	50,917.63
Total Expenses	397,862.75	395,845.48
Net Income (Loss)	(125,129.35)	(143,876.91)

Michael P. Metzger C.P.A.
Certified Public Accountants

31275, Northwestern Highway, Suite 230
Farmington Hills, MI 48334-2528

Arval Krishna
Principal Officer
Hindustan Motors Limited—USA

AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS OF HINDUSTAN MOTORS LIMITED
ON THE CONSOLIDATED FINANCIAL STATEMENTS OF
HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES**

- 1.0 We have audited the attached consolidated Balance Sheet of Hindustan Motors Limited and its subsidiaries as at 31st March 2007, and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2.0 We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3.0 We have not audited the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs 247.07lacs as at 31st March 2007 and total revenue of Rs. 494.21 lacs and net cash flow of Rs.22.73 lacs for the year then ended. These financial statements of the subsidiaries have been audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in these subsidiaries is based solely on the reports of the other auditors.
- 4.0 We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, Accounting Standards (AS) 23 and Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
- 5.0 *Attention is drawn to Note No.17 on Schedule 24 regarding non-provision of doubtful / disputed debts, claims and advances aggregating to Rs. 889.86 lacs*
Had the impact of item no 5.0 above been considered, the profit for the year would have been Rs.383.79 lacs (after adjusting the impact of Rs.837.67 lacs for earlier years/periods) as against the reported profit of Rs.1273.65 lacs and the Profit & Loss Account Debit Balance would have been Rs.6316.37 lacs, as against the reported figures of Rs.5426.51 lacs. Similarly, because of the above, the loss during the previous period ended 31st March, 2006 would have been Rs.5265.47 lacs as against the reported loss of Rs.4427.80 lacs and the Profit & Loss Account Debit Balance would have been Rs.8663.70 lacs as against the reported figures of Rs.7826.03 lacs.
- 6.0 In our opinion, and on the basis of the information and explanations given to us, and also based on the consolidation of the separate audit reports on individual audited financial statements of Hindustan Motors Limited, its subsidiaries and Associate, the consolidated statements of account, *subject to our observations in para 5.0 above* and read together with the 'Notes' appearing on Schedule 24, give a true and fair view:
- in the case of Consolidated Balance Sheet, of the consolidated state of affairs of Hindustan Motors Limited and its subsidiaries as at 31st March 2007;
 - in the case of Consolidated Profit and Loss Account, of the consolidated results of operations of Hindustan Motors Limited and its subsidiaries for the year then ended; and
 - in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of Hindustan Motors Limited and its subsidiaries for the year then ended.

New Delhi
May 30, 2007

S. R. Batliboi & Co.
Chartered Accountants
per **R. K. Agrawal**
a Partner
Membership No. 16667

CONSOLIDATED BALANCE SHEET OF HINDUSTAN MOTORS LIMITED AND
ITS SUBSIDIARY COMPANIES AS AT MARCH 31, 2007

		Rupees in lacs	
	Schedule	March 31, 2007	March 31, 2006
SOURCES OF FUNDS			
A. SHAREHOLDERS' FUNDS			
a. Share Capital	1	16125.68	16125.68
b. Reserves & Surplus	2	1535.47	1642.12
		<u>17661.15</u>	<u>17767.80</u>
B. LOANS	3		
a. Secured		12320.77	11602.42
b. Unsecured		6449.86	4328.16
		<u>18770.63</u>	<u>15930.58</u>
C. DEFERRED TAX LIABILITY	4	0.75	0.83
		<u>36432.53</u>	<u>33699.21</u>
APPLICATION OF FUNDS			
A. FIXED ASSETS	5		
a. Gross Block		48752.89	47973.08
b. Less: Accumulated Depreciation		30174.78	28037.46
c. Net Block		<u>18578.11</u>	<u>19935.62</u>
d. Capital work-in-progress		180.32	32.90
		<u>18758.43</u>	<u>19968.52</u>
B. INVESTMENTS	6	8920.47	7758.10
C. CURRENT ASSETS, LOANS & ADVANCES			
a. Inventories	7	10276.20	8586.78
b. Motor Vehicles given on Hire purchase contracts, Valued at Hires receivable	8	4.48	7.70
c. Sundry Debtors	9	3829.56	5121.53
d. Cash and Bank Balances	10	6369.41	964.32
e. Other Current Assets	11	487.27	580.55
f. Loans & Advances	12	4521.45	4435.53
		<u>25488.37</u>	<u>19696.41</u>
D. LESS: CURRENT LIABILITIES & PROVISIONS	13		
a. Current Liabilities		20556.02	20081.35
b. Deferred Payment Liabilities		655.84	970.23
c. Provisions		970.84	735.99
		<u>22182.70</u>	<u>21787.57</u>
NET CURRENT ASSETS		<u>3305.67</u>	<u>(2091.16)</u>
E. MISCELLANEOUS EXPENDITURE	14	21.45	237.72
(To the extent not written off/adjusted)			
F. PROFIT & LOSS ACCOUNT DEBIT BALANCE		5426.51	7826.03
		<u>36432.53</u>	<u>33699.21</u>
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	24		

Schedules 1 to 14 and 24 referred to above form an integral part of the Balance Sheet

In terms of our attached Report of even date.

S.R.Batliboi & Company

Chartered Accountants

Per **R.K. Agrawal**

a Partner

Membership No.16667

Camp : New Delhi

May 30, 2007.

Yogesh Goenka
Chief Financial Officer
G. N. Pareek
Secretary

As Approved,
For and on behalf of the Board of Directors

C. K. Birla

Chairman

R. Santhanam
Managing Director

CONSOLIDATED PROFIT & LOSS ACCOUNT OF HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES FOR THE YEAR ENDED MARCH 31, 2007

		Rupees in lacs	
	Schedule	2006-2007 (12 Months)	2005-2006 (9 Months)
INCOME			
Sales & Services	15	80908.11	55551.97
Less: Excise Duty		13890.05	9664.51
Sales Tax & Value Added Tax		<u>4132.89</u>	<u>2962.52</u>
		62885.17	42924.94
Finance charges & commission on			
hire purchase contracts	16	0.06	0.06
Other Income	17	<u>8163.23</u>	<u>1416.25</u>
		71048.46	44341.25
EXPENDITURE			
Decrease / (Increase) in Stocks	18	(615.11)	103.08
Excise duty on Stocks (Refer Note No.22 on Schedule 24)		96.44	38.44
Raw Materials and Components Consumed	19	44556.79	32491.22
Stores & Spares Consumed		1613.50	1187.53
Purchase of Trading Goods (including vehicles)		4362.42	128.44
Fuel & Electricity (Net)		1615.12	1260.58
Payments to and Provisions for Employees	20	6982.83	5163.97
Other Expenses	21	7152.24	4999.04
Directors' Remuneration		70.05	49.28
		<u>65834.28</u>	<u>45421.58</u>
PROFIT / (LOSS) BEFORE INTEREST, DEPRECIATION & TAXATION		5214.18	(1080.33)
Interest	22	1657.80	875.07
Depreciation	23	2326.83	1802.53
		<u>3984.63</u>	<u>2677.60</u>
PROFIT / (LOSS) BEFORE TAXATION		1229.55	(3757.93)
Provision for Taxation			
Current Tax		291.25	579.34
MAT Credit Entitlement (Refer Note No.8 on Schedule 24)		(395.00)	7.24
Fringe Benefit Tax		59.66	83.80
Deferred Tax		0.08	(0.15)
Excess Provision for Taxation Written Back		(0.09)	(0.36)
		<u>(44.10)</u>	<u>669.87</u>
PROFIT / (LOSS) AFTER TAXATION		1273.65	(4427.80)
Less: Investment Allowance Reserve Written Back		—	112.02
Add / Less: Proportionate Share of Profit of the Associate Company		1125.87	888.29
Loss Brought forward from Previous year		<u>7826.03</u>	<u>4398.54</u>
Loss carried to Balance Sheet		5426.51	7826.03
Earning per share - Basic and Diluted (Rs.)		0.79	-2.75
(Refer Note No.15 on Schedule 24)			
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	24		
Schedules 15 to 24 referred to above form an integral part of the Profit & Loss Account			
In terms of our attached Report of even date.		As Approved,	
S.R.Batliboi & Company		For and on behalf of the Board of Directors	
Chartered Accountants		C. K. Birla	
Per R.K. Agrawal		Chairman	
a Partner			
Membership No.16667		R. Santhanam	
Camp : New Delhi		Managing Director	
May 30, 2007.			
		Yogesh Goenka	
		Chief Financial Officer	
		G. N. Pareek	
		Secretary	

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES CONSOLIDATED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

	Rupees in lacs	
	March 31, 2007 (12 Months)	March 31, 2006 (9 Months)
(A) CASH FLOW FROM OPERATING ACTIVITIES:		
NET PROFIT / (LOSS) BEFORE TAXATION	1229.55	(3757.93)
ADJUSTMENTS FOR:		
Depreciation	2326.83	1802.53
Deferred Revenue Expenditure	216.20	502.16
Interest Expenses (Net)	1599.97	853.24
Financial Lease Rentals	10.11	6.44
Foreign Exchange loss / (Gains) (Net)	164.16	(4.76)
Profit on Fixed Assets Sold/Discarded	(7342.44)	(666.51)
Dividend Income	(128.88)	(22.86)
Surplus on Sale of Investments	-	(186.96)
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES	(1924.50)	(1474.65)
Increase/ (Decrease) in Trade Payables	97.77	(50.40)
Decrease / (Increase) in Trade & Other Receivables	1638.03	(187.10)
Decrease/(Increase) in Inventories	(1689.42)	(634.45)
CASH GENERATED FROM OPERATIONS	(1878.12)	(2346.60)
Add: Direct Tax (Paid) / received (Net)	(179.47)	(584.73)
NET CASH FLOW FROM OPERATING ACTIVITIES	(2057.59)	(2931.33)
(B) CASH FLOW FROM INVESTING ACTIVITIES:		
Sale of Fixed Assets	7639.00	789.37
Dividend Received	128.88	22.86
Proceeds from Sale of Investments	-	218.65
Purchase of Fixed Assets	(1504.55)	(1396.79)
Repayment of Finance Lease Liability	(10.11)	(6.44)
Investment in Associate & other Companies	(36.50)	(0.04)
NET CASH FLOW FROM INVESTING ACTIVITIES	6216.72	(372.39)
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Net Increase / (Decrease) from other borrowings	2840.26	(519.89)
	2840.26	(519.89)
Repayment of Long Term Loans	(0.66)	-
Interest Paid (Net of Interest Received)	(1593.54)	(916.90)
Dividend Paid (for earlier years)	-	(2.02)
Payment to Investor Protection Fund	(0.10)	(63.07)
NET CASH USED IN FINANCING ACTIVITIES	1245.96	(1501.88)
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	5405.09	(4805.60)
* CASH & CASH EQUIVALENTS - OPENING BALANCE	964.32	5769.92
	6369.41	964.32
* CASH & CASH EQUIVALENTS - CLOSING BALANCE	6369.41 **	964.32

* Represents Cash and Bank Balances as indicated in Schedule 10.

** Includes Rs. 2.00 lacs (Rs. 2.10 lacs) lying in unpaid Dividend / Debenture interest Account and Rs.5890.23 lacs (Rs.17.11 lacs) in Fixed Deposits with Banks.

In terms of our attached Report of even date.

S.R.Batliboi & Company

Chartered Accountants

Per **R.K. Agrawal**

a Partner

Membership No.16667

Camp : New Delhi

May 30, 2007.

Yogesh Goenka
Chief Financial Officer
G. N. Pareek
Secretary

As Approved,
For and on behalf of the Board of Directors

C. K. Birla

Chairman

R. Santhanam
Managing Director

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

		Rupees in lacs	
		March 31, 2007	March 31, 2006
SCHEDULE 1 : SHARE CAPITAL			
Authorised:			
16,50,00,000	Ordinary Shares of Rs.10 each	16500.00	16500.00
55,00,000	Unclassified Shares of Rs.100 each	5500.00	5500.00
		<u>22000.00</u>	<u>22000.00</u>
Issued:			
16,15,89,297	Ordinary Shares of Rs.10 each	<u>16158.93</u>	<u>16158.93</u>
Subscribed & Paid-up:			
16,11,71,993	Ordinary Shares of Rs.10 each fully paid up	16117.20	16117.20
	Add: Forfeited Shares (Amount originally paid up)	8.48	8.48
Note: Issued and Subscribed & Paid-up Capital includes 1,53,59,409 Ordinary shares issued and allotted as fully paid up Bonus shares by Capitalisation of Capital Redemption Reserve & General Reserve and 5,34,22,010 Ordinary Shares issued and allotted as fully paid-up upon conversion of Fully Convertible Debentures.		<u>16125.68</u>	<u>16125.68</u>
SCHEDULE 2 : RESERVES & SURPLUS			
CAPITAL RESERVE			
a)	Net Surplus on Revaluation of Fixed Assets		
	As per last account	1308.10	1316.97
	Less: Adjustment towards assets sold	113.89	8.07
	Less: Transfer to Depreciation Account	1.07	0.80
		<u>1193.14</u>	<u>1308.10</u>
b)	Others :		
	As per last Account	3.53	3.53
		<u>1196.67</u>	<u>1311.63</u>
SECURITIES PREMIUM			
	As per last account	<u>317.28</u>	<u>317.28</u>
CENTRAL SUBSIDY			
	As per last account	<u>15.00</u>	<u>15.00</u>
INVESTMENT ALLOWANCE RESERVE			
	As per last account *	—	112.02
	Less: Transferred to Profit & Loss Account	—	112.02
		<u>—</u>	<u>—</u>
FOREIGN CURRENCY TRANSLATION RESERVE			
	(Refer Note No.1(e) on Schedule 24)	<u>6.52</u>	<u>(1.79)</u>
		<u>1535.47</u>	<u>1642.12</u>

* Fully utilised for acquiring Plant & Machinery

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

	Rupees in lacs	
	March 31, 2007	March 31, 2006
SCHEDULE 3 : LOANS		
SECURED : (Note No.5 on Schedule 24)		
From Financial Institutions :		
Rupee Term Loans	4326.28	4326.93
From Scheduled Banks :		
Rupee Term Loans	4709.00	4709.00
Cash Credits	3271.08	2542.41
Deferred Payment Credits	13.88	23.99
(Secured by assets acquired under Lease)		
Interest accrued and due	0.53	0.09
	<u>12320.77</u>	<u>11602.42</u>
UNSECURED :		
LONG TERM		
Sales tax Deferral Credit	<u>4178.98</u>	<u>4178.98</u>
SHORT TERM		
From Bodies Corporate	2100.00	—
Security & Other Deposits	<u>170.88</u>	<u>149.18</u>
	<u>2270.88</u>	<u>149.18</u>
	<u>6449.86 *</u>	<u>4328.16</u>
	<u>18770.63</u>	<u>15930.58</u>

* Includes Rs.2100.00 (Rs.Nil) due for payment within one year.

SCHEDULE 4 : DEFERRED TAX LIABILITY

Balance as per last account	(0.83)	(0.98)
Less: Deferred Tax Asset for the year	<u>0.08</u>	<u>0.15</u>
	<u>(0.75)</u>	<u>(0.83)</u>

SCHEDULE 5 : FIXED ASSETS

DESCRIPTION OF ASSETS	GROSS BLOCK					DEPRECIATION			NET BLOCK	
	As at March, 31 2006	Additions	Sales/ Adjustments	As at March 31, 2007	Upto March 31, 2006	For the Year	Less : On Sales/ Adjustments	Upto March 31, 2007	As at March 31, 2007	As at March 31, 2006
Goodwill	0.05	-	-	0.05	0.05	-	-	0.05	-	-
Freehold Land	1240.16	1050.00	322.79	1967.37	-	-	-	-	1967.37	1240.16
Leasehold Land	35.83	-	-	35.83	6.95	0.37	-	7.32	28.51	28.88
Buildings	9159.62	8.38	3.63	9164.37 (a)	4136.45	194.03	1.23	4329.25	4835.12	5023.17
Machinery & Equipments	36206.24	236.24	179.18	36263.30 (b)	23107.75	2051.50	137.85	25021.40	11241.90	13098.49
Railway Sidings	2.13	-	-	2.13	2.02	-	-	2.02	0.11	0.11
Furniture & Fittings	646.83	8.95	6.32	649.46	461.92	19.96	2.74	479.14	170.32	184.92
Vehicles	682.22	77.27	89.11	670.38	322.32	62.04	48.76	335.60	334.78	359.89
Capital work-in-progress	47973.08	1380.84 (c)	601.03	48752.89	28037.46	2327.90	190.58	30174.78	18578.11	19935.62
	32.90	180.32	32.90	180.32 (e)	-	-	-	-	180.32	32.90
TOTAL THIS YEAR	48005.98	1561.16	633.93 (d)	48933.21 (f)	28037.46	2327.90	190.58	30174.78	18758.43	19968.52
<i>TOTAL - Previous Period</i>	<i>47075.51</i>	<i>1417.85</i>	<i>487.38</i>	<i>48005.98</i>	<i>26562.32</i>	<i>1803.33</i>	<i>328.19</i>	<i>28037.46</i>	<i>19968.52</i>	<i>20513.19</i>

NOTES : (a) Includes Rs. 4.50 Lacs (Rs. 4.50 Lacs) being the value of ownership premises and shares in Co-operative Housing Societies.
 (b) Includes Assets acquired on Finance Lease, Gross Book Value being Rs. 45.12 Lacs (Rs. 45.12 Lacs) and Net Book Value being Rs. 15.86 Lacs (Rs. 23.18 Lacs).
 (c) Includes Capital Expenditure on Scientific Research Rs. 13.20 Lacs (Rs. 3.59 Lacs).
 (d) Includes Rs.24.58 Lacs (Rs. 33.03 Lacs) being the value of assets discarded.
 (e) Includes Materials at site, in transit and Assets not brought into use.
 (f) Includes proportionate cost of a part of Building (on leasehold land) and Other Assets amounting to Rs. 77.85 Lacs (Rs.73.98 Lacs) held in Joint Ownership basis with others at Kolkata, which have been charged against the amount payable as rent for land and proportionate share of expenses.
 (g) Land & Buildings of Uttarpara Unit were revalued during the year ended 31.03.84 and the resulting Surplus thereon, was transferred to Revaluation Reserve.

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

SCHEDULE 6 : INVESTMENTS (At Cost)			Rupees in lacs	
	Number of Shares	Face Value Per Share	March 31,2007	March 31,2006
LONG TERM (OTHER THAN TRADE) (FULLY PAID)				
* GOVERNMENT SECURITIES (UNQUOTED) :				
12 Year National Planning Certificates			0.02	0.02
12 Year National Defence Certificates			0.02	0.02
National Savings Certificates			0.06	0.06
			<u>0.10</u>	<u>0.10</u>
QUOTED				
ORDINARY SHARES				
Hyderabad Industries Ltd.	122188	10	<u>73.31</u>	<u>73.31</u>
UNQUOTED				
ORDINARY SHARES				
Birla Buildings Ltd.	30000	10	<u>3.00</u>	<u>3.00</u>
Pithampur Auto Cluster Ltd.	50000	10	<u>5.00</u>	<u>—</u>
AVTEC Ltd. (a company under the same management)	12250000 (12217900)	10	7462.71	7438.25
Less: Capital Reserve (net of goodwill of Rs.7.04 on purchase of 32100 shares during the year)			<u>552.75</u>	<u>559.79</u>
			6909.96	6878.46
Add Share of post acquisition Profit			<u>1929.10</u>	<u>803.23</u>
			<u>8839.06</u>	<u>7681.69</u>
			<u>8920.47</u>	<u>7758.10</u>
AGGREGATE VALUE OF INVESTMENTS :				
	Cost	Market Value	Cost	Market Value
Quoted	73.31	176.87	73.31	505.19
Unquoted	8847.16		7684.79	
	<u>8920.47</u>		<u>7758.10</u>	

* Includes securities worth Rs.0.06 lacs (matured but pending encashment) lodged with Government Departments.

Note:

In case of investments in Associate, the Goodwill / Capital Reserve arising on the date of acquisition, has been adjusted to cost, in terms of Accounting Standard - 23.

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

	Rupees in lacs	
	March 31, 2007	March 31, 2006
SCHEDULE 7 : INVENTORIES		
At lower of cost and net realisable value		
Stores & Spares	179.58	265.08
Loose Tools	126.64	148.57
Raw Materials and Components		
[including Boughtout Components & Service Parts for Sale	7151.23	5969.49
Rs.946.40 lacs (Rs.616.47 lacs)]		
Goods under process	1467.18	892.54
Finished Goods	<u>1351.57</u>	<u>1311.10</u>
	<u>10276.20 *</u>	<u>8586.78</u>
* Includes materials lying with third parties / in Bond and in transit Rs.3336.75 lacs (Rs.3543.58 lacs).		
SCHEDULE 8 : MOTOR VEHICLES GIVEN ON HIRE PURCHASE CONTRACTS, VALUED AT HIRES RECEIVABLE		
Non-performing assets	<u>39.85</u>	<u>40.54</u>
	39.85	40.54
Less: Provision for Non-Performing assets	<u>35.37</u>	<u>32.84</u>
	<u>4.48</u>	<u>7.70</u>
SCHEDULE 9 : SUNDRY DEBTORS		
Considered good except otherwise stated :		
(a) Debts outstanding for a period exceeding six months :		
Secured	23.23	22.69
Unsecured	<u>1146.56</u>	<u>1141.97</u>
	<u>1169.79</u>	<u>1164.66</u>
(b) Other Debts :		
Secured	23.36	48.28
Unsecured	<u>3279.47</u>	<u>4546.69</u>
	<u>3302.83</u>	<u>4594.97</u>
	<u>4472.62 *</u>	<u>5759.63</u>
Less: Provision for doubtful debts	<u>643.06</u>	<u>638.10</u>
	<u>3829.56</u>	<u>5121.53</u>
* Includes considered doubtful Rs.1050.02 lacs (Rs.1015.06 lacs).		
SCHEDULE 10 : CASH & BANK BALANCES		
Cash-on-hand (including cheques Rs. Nil)	20.17	19.73
Remittances in transit	356.82	771.86
With Scheduled Banks on :		
Fixed Deposit Account	5793.54	8.77
Current Account	100.19	153.52
Margin Deposit Account	96.69	8.34
Unpaid Dividend / Interest Accounts	<u>2.00</u>	<u>2.10</u>
	<u>6369.41</u>	<u>964.32</u>
SCHEDULE 11 : OTHER CURRENT ASSETS		
Unsecured :		
Considered good except otherwise stated :		
Interest accrued on Deposits	5.43	2.58
Export Incentives receivable	18.54	85.35
Insurance & Other Claims receivable	<u>473.41</u>	<u>507.37</u>
	<u>497.38 *</u>	<u>595.30</u>
Less: Provision for doubtful claims	<u>10.11</u>	<u>14.75</u>
	<u>487.27</u>	<u>580.55</u>

* Includes Rs.413.29 lacs (Rs.413.29 lacs) under dispute and Rs.10.11lacs (Rs.14.92 lacs) considered doubtful.

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

	Rupees in lacs	
	March 31, 2007	March 31, 2006
SCHEDULE 12 : LOANS & ADVANCES		
Unsecured :		
Considered good except otherwise stated :		
Advances against Capital Contracts	136.98	45.36
Other advances recoverable in cash or in kind or for value to be received or pending adjustments	721.33	969.85
Loans / Advances to Officers *	6.21	3.85
Balance with Customs, Port Trust & Other Government Departments	538.28	286.60
Sales Tax, VAT and other refunds receivable (including payments made under appeal)	2280.71	2229.30
MAT Credit Entitlement	395.00	—
Deposits with Government Departments & Others	617.01	1074.77
	4695.52 **	4609.73
Less: Provision for doubtful advances	174.07	174.20
	4521.45	4435.53
* Maximum amount due from officers at any time during the year Rs.12.21 lacs (Rs.9.52 lacs).		
** Includes considered doubtful Rs.243.68 lacs (Rs.221.45 lacs).		
SCHEDULE 13 : CURRENT LIABILITIES & PROVISIONS		
A. CURRENT LIABILITIES		
Acceptances	3987.34	3246.23
Sundry Creditors for goods, services, expenses etc.	13282.98 *	14295.44
Advances against Sales/Orders	1426.33	296.80
Investor Education and Protection Fund **		
Unpaid Dividend	1.95	1.95
Interest accrued	0.05	0.15
Other Liabilities	1756.22	2148.47
Interest accrued but not due:		
On Secured Loans	92.63	92.31
On Unsecured Loans	8.52	—
	20556.02	20081.35
* Includes Rs.577.79 lacs (Rs.795.38 lacs) due to AVTEC Limited (a company under same management).		
** Amount not yet due for deposit.		
B. DEFERRED PAYMENT LIABILITIES		
Monthly instalments under Voluntary Retirement Schemes	655.84 *	970.23
* Includes Rs.253.31 lacs (Rs.314.39 lacs) due for payment within one year)		
C. PROVISIONS		
Warranties	298.73	252.22
Leave Liability	371.54	367.71
Taxation (Net of advance payment, tax at source etc.)	298.26	113.69
Estimated Unearned Finance Charges Carried forward	2.31	2.37
	970.84	735.99
	22182.70	21787.57
SCHEDULE 14 : MISCELLANEOUS EXPENDITURE		
(To the extent not written off / adjusted)		
DEFERRED REVENUE EXPENDITURE :		
Payments under Voluntary Retirement Schemes	19.83	224.85
Product / Market Development Expenses	—	9.56
Preliminary expenses	1.62	3.31
	21.45	237.72

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	Rupees in lacs	
	2006-2007 (12 Months)	2005-2006 (9 Months)
SCHEDULE 15 : SALES & SERVICES		
Finished Goods (including items Capitalised Rs.41.41 lacs (Rs.9.90 lacs))	68008.42	49659.57
Trading Goods & Service Parts	12005.20	4991.03
Job charges	—	14.05
Others	894.49	887.32
	<u>80908.11</u>	<u>55551.97</u>
SCHEDULE 16: FINANCE CHARGES & COMMISSION		
Value of Hire Purchase Contracts	—	—
(Including Finance Charges & Commission)		
Add: Estimated Unearned Finance Charges Brought Forward from Previous year	2.37	2.43
	<u>2.37</u>	<u>2.43</u>
Less: Estimated Unearned Finance Charges carried forward to next year	2.31	2.37
	<u>0.06</u>	<u>0.06</u>
SCHEDULE 17 : OTHER INCOME		
Dividend on Long Term Investments (Non Trade)	128.88	22.86
Interest on Debts, Deposits, Advances, Hirers etc.		
[Tax at source Rs.0.65 lacs (Rs.2.44 lacs)]	57.83	21.83
Insurance & Other Claims	10.91	29.56
Rent & Hire Charges	35.76	37.08
Miscellaneous Income [Tax at source Rs.Nil (Rs.0.04 lacs)]	82.85	61.79
Items pertaining to previous years (Net)	9.04	29.57
Exchange Rate Difference	—	4.76
Unspent Liabilities and Provisions no longer required written back	495.52	355.33
Surplus on sale of Investments	—	186.96
Net surplus on fixed assets sold/discarded. (Refer Note No.13 on Schedule 24)	7342.44	666.51
	<u>8163.23</u>	<u>1416.25</u>
SCHEDULE 18 : DECREASE IN STOCKS		
Closing Stock:		
Goods under Process	1467.18	892.54
Finished Goods	1351.57	1311.10
	<u>2818.75</u>	<u>2203.64</u>
Less: Opening Stock		
Goods under Process	892.54	1076.94
Finished Goods	1311.10	1229.78
	<u>2203.64</u>	<u>2306.72</u>
	<u>(615.11)</u>	<u>103.08</u>
SCHEDULE 19 : RAW MATERIALS AND COMPONENTS CONSUMED		
Opening Stock	5969.49	5231.64
Add: Purchases [includes bought out service parts for sale Rs.3290.88 lacs (Rs.2751.94 lacs)].	45805.97	33245.25
	<u>51775.46</u>	<u>38476.89</u>
Less: Transferred to Fixed Assets & Other Accounts	2.34	2.06
Sales	65.10	14.12
Closing Stock	7151.23	5969.49
	<u>7218.67</u>	<u>5985.67</u>
	<u>44556.79</u>	<u>32491.22</u>

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	Rupees in lacs	
	2006-2007 (12 Months)	2005-2006 (9 Months)
SCHEDULE 20 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages & Bonus	5838.08	4382.76
Contribution to Provident, Gratuity & Other Funds	723.42	531.78
Welfare Expenses	421.33	249.43
	<u>6982.83</u>	<u>5163.97</u>
SCHEDULE 21 : OTHER EXPENSES		
Rent & Hire Charges	144.94	108.83
Building Repairs	55.67	42.60
Machinery Repairs	239.63	174.33
Insurance	167.24	111.83
Rates & Taxes	511.34	31.59
Royalties & Technical Assistance Fees	—	124.86
Selling Expenses, Service Charges, Claims etc. (Net)	2551.80	1439.50
Delivery Charges, Freight & Transportation etc. (Net)	547.40	542.45
Miscellaneous Expenses	2368.53	1616.13
Exchange Rate Difference (Net)	164.16	—
Directors' Travelling	16.25	12.33
Auditors' Remuneration:		
As Auditors	20.54	20.50
Other Services for issuing various certificates	32.32	29.27
(Including Rs.12.00 lacs (Rs. 8.00 lacs) for Limited review of accounts)		
Reimbursement of Service Tax, Travelling and other expenses	1.92	2.40
Cost Auditor's Remuneration	1.05	1.85
Deferred Revenue expenditure written off	216.20	502.16
Cash Discount	10.26	30.25
Turnover and other Taxes	85.98	84.82
Provision for Doubtful debts, Claims, Advances etc.	35.18	90.74
Less : Written Back	<u>24.18</u>	<u>11.13</u>
	11.00	79.61
Irrecoverable Debts, Claims & Advances written off	11.50	121.55
Less : Adjusted against Provision	<u>10.81</u>	<u>87.88</u>
Provision against non-performing assets	5.32	10.06
	<u>7152.24</u>	<u>4999.04</u>
SCHEDULE 22 : INTEREST		
On Fixed Loans & Deposits	983.55	711.24
To Banks & Others	674.25	163.83
	<u>1657.80</u>	<u>875.07</u>
SCHEDULE 23 : DEPRECIATION		
On Fixed Assets	2327.90	1803.33
Less: Transfer from Capital Reserve being additional		
Depreciation on revalued Fixed Assets	1.07	0.80
	<u>2326.83</u>	<u>1802.53</u>

SCHEDULE 24 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. PRINCIPLES OF CONSOLIDATION FINANCIAL STATEMENTS :

The consolidated financial statements which relate to Hindustan Motors Ltd. and its various subsidiary companies, have been prepared on the following basis :

- (a) The financial statements of the Company and its subsidiaries are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenditure, after fully eliminating intra group balances, intra group transactions and any unrealised profit / loss included therein.
- (b) The consolidated financial statements have been prepared using uniform accounting policies, except stated otherwise, for like transactions and are presented, to the extent possible, in the same manner as the Company's separate financial statements.
- (c) The excess of cost to the Company of its investments in the subsidiary companies is recognised in the financial statements as goodwill which is fully amortised.
- (d) The subsidiary companies considered in the financial statements are as follows :

Name	Country of Incorporation	% of Voting power as on 31.03.07
Hindustan Motor Finance Corporation Ltd.	India	100
HM Export Ltd.	India	100
Hindustan Motors Ltd.	Delaware, U.S.A.	100

- (e) In terms of Accounting Standard 11 issued by the Institute of Chartered Accountants of India, exchange fluctuations on conversion of the accounts of foreign subsidiary have been taken to "Foreign Currency Translation Reserve" in Schedule 2.
- (f) The associate company considered in the financial statements is as follows :

Name	Country of Incorporation	% of Voting power as on 31.03.07
AVTEC Limited	India	49

- (g) Investments in associate have been accounted for using the equity method in accordance with Accounting Standard (AS) 23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- (h) The Company accounts for its share in the change in the net assets of the associate, post acquisition, after eliminating unrealised profit and losses resulting from the transactions between the Company and its associate to the extent of its share, through its Profit & Loss Account to the extent such change is attributable to the associate's Profit & Loss Account.
- (i) The difference between the cost of investment in the associate and the share of net assets at the time of acquisition of shares in associate is identified in the financial statements as Goodwill or Capital Reserve as the case may be.

2. ACCOUNTING POLICIES:

(I) Basis of Accounting :

- (a) The Company prepares its accounts on accrual basis, except otherwise stated, in accordance with the normally accepted accounting principles.
- (b) Income in respect of Finance Commission is recognised at the time of execution of Hire Purchase Agreement.
- (c) The following accounts due to uncertainty in realisation, are maintained on actual receipt basis :
 - i) Income on non-performing assets as per guidelines prescribed by the Reserve Bank of India.
 - ii) Interest and Miscellaneous charges recoverable on overdue hires.
 - iii) Rent from a Sub-tenant.

(II) Revenue Recognition:

- (a) Revenue from sale of goods and services rendered is recognised upon passage of title and rendering of services, to the customers.

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- (b) Insurance and other claims, to the extent considered recoverable, are accounted for in the period of claim. However, claims and refunds whose recovery cannot be ascertained with reasonable certainty, are accounted for on acceptance basis.

(III) Fixed Assets :

- (a) Fixed Assets are stated at cost of acquisition inclusive of duties (net of Cenvat and VAT), taxes, incidental expenses, erection / commissioning expenses, technical know-how fees and interest etc. upto the date the asset is put to use. In case of revaluation of fixed assets, the original cost as written up by the valuer, is considered in the accounts and the differential amount is transferred to capital reserve.
- (b) Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual useful life of the respective assets.
- (c) The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on external / internal factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in use' of the respective assets. The estimated future cash flows considered for determining the value in use, are discounted to their present value at the weighted average cost of capital.
- (d) Assets awaiting disposal are valued at lower of written down value and net realisable value and disclosed separately.

(IV) Hire Receivable : Provision for Non-Performing Assets is made as per the guidelines prescribed by the Reserve Bank of India.

(V) Foreign Currency Transactions :

- (a) Initial Recognition : Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- (b) Conversion : Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.
- (c) Exchange Differences : Exchange differences arising on the settlement / conversion of monetary items are recognised as income or expenses in the year in which they arise except those relating to acquisition of fixed assets outside India, in which case such exchange differences are capitalised. The premium or discount arising at the inception of forward exchange contracts is amortised as expenses or income over the life of respective contracts. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(VI) Hedging : The option contracts entered into by the Company. The above Option contracts are accounted for on the date of their settlement and the realized gain/loss thereof is recognized in the Profit & Loss Account. In respect of 'open' contracts as on the Balance Sheet date, the difference between the spot rates (as on the respective contract dates) and the settlement rates, if resulting in a loss, are charged off pro-rata over the contract period, whereas the net unrealized gains are not recognized as a matter of prudence.

(VII) Depreciation :

- (a) The Classification of Plant and Machinery into continuous and non-continuous process is done as per technical certification and depreciation thereon is provided accordingly.
- (b) Depreciation on Fixed Assets is provided on Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956 or estimated useful life whichever is higher, except in respect of a Subsidiary Company where depreciation is provided on Written down Value Method at the rates specified in Schedule XIV of the Companies Act, 1956.
- (c) Technical Know-how fees included under the head "Plant & Machinery" are written off over the period of respective agreements or 10 years, whichever is lower.

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- (d) Depreciation includes the amount written off in respect of leasehold properties over the respective lease period.
- (e) Depreciation on revalued assets is provided at the rates specified under Section 205(2)(b) of the Companies Act, 1956 or estimated useful life whichever is higher.
- (f) Depreciation on the amounts capitalised during the year on account of foreign exchange fluctuations, is provided prospectively over the residual life of the respective assets.
- (g) Depreciation on fixed assets added / disposed off during the year, is provided on pro-rata basis with reference to the month of addition / disposal.
- (h) In case of impairment, if any, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

(VIII) Fixed Assets acquired under leases :

- (a) Finance Lease: Assets acquired under lease agreements which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to Expenses account.
Leased assets capitalised are depreciated over the shorter of the estimated useful life of the asset or the lease term.
- (b) Operating Lease : Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term.

(IX) Investments :

- (a) Current Investments are stated at lower of cost or market rate on individual investment basis. Long Term Investments are considered "at cost", unless there is other than temporary decline in value thereof, in which case, adequate provision is made against such diminution in the value of investments.
- (b) Investments in foreign companies are considered at the exchange rates prevailing on the date of their acquisition.

(X) Inventories :

- (a) Inventories are valued at lower of cost, computed on annual weighted / moving average basis and net realisable value in respect of except for HM Export Limited where inventories are valued at lower of cost, computed on first in first out basis and net realisable value.
- (b) The closing stock of materials inter-transferred from one unit to another is valued at cost of the transferor unit or net realisable value whichever is lower.

(XI) Excise Duty & Customs Duty : Excise Duty on Finished Goods stock lying at the factories is accounted for at the point of manufacture of goods and is accordingly considered for valuation of finished goods stock lying in the factories as on the Balance Sheet date. Similarly, Customs Duty on Imported Materials in transit / lying in Bonded Warehouse is accounted for at the time of import / bonding of materials.

(XII) Research and Development : Research and Development expenditure of revenue nature are charged to Profit & Loss Account, while capital expenditure are added to the cost of fixed assets in the year in which these are incurred.

(XIII) Retirement & other employee Benefits:

- (a) Defined Contribution plans : Company's contributions to Provident Fund and Superannuation Schemes are charged to Profit & Loss Accounts of the year when the contributions to the respective funds are due. The Company has no obligations other than the contributions payable to the respective trusts.
- (b) Defined Benefit plans : Gratuity liability and compensated leave encashment are provided for based on actuarial valuation made at the end of each financial year. Actuarial gain and losses are recognised immediately in the statement of Profit & Loss Account as income or expenses.
- (c) Payments under Voluntary Retirement Scheme are treated as deferred revenue expenses.

(XIV) Expenses relating to Shares / Debentures : Shares / Debentures issue expenses (including premium on redemption thereof) are adjusted against Securities Premium Account.

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(XV) Borrowing Costs : Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

(XVI) Provisions : A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on the management estimates required to settle the obligation at each balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

(XVII) Taxation :

- (a) Tax expenses comprise of current, deferred & fringe benefit tax . Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax ,1961. Deferred Income taxes reflects the impact of current year timing differences between taxable income for the year and reversal of timing differences of earlier years.
- (b) The deferred tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and laws that have been substantially enacted as of the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward unabsorbed depreciation and tax losses, deferred tax assets are recognised only to the extent there is virtual certainty supported by convincing evidence that sufficient taxable income will be available against which such deferred tax asset can be realised.
- (c) Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit & Loss Account and shown as MAT Credit entitlement. The Company reviews the MAT credit at each Balance Sheet date and writes down the carrying amount to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

(XVIII) Segment Reporting :

- (a) Identification of Segments : The Company has identified that its operating segments are the primary segments. The Company's operating businesses are organised and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which the customers of the Company are located .
- (b) Allocation of Common Costs : Common allocable costs are allocated to each segment on case to case basis applying the ratio, appropriate to each relevant case. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segment on a reasonable basis, have been included under the head "Unallocated - Common".

The accounting policies adopted for segment reporting are in line with those of the Company.

(XIX) Product related Warranty Claims : Provision for product related warranty 'costs' is based on the claims received upto the year end as well as the management estimates of further liability to be incurred in this regard during the warranty period, computed on the basis of past trend of such claims.

(XX) Contingencies : Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

(XXI) Earning per share : Earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders, by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

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(XXII) Deferred Revenue Expenditure : Deferred revenue expenditure are written off in five equal annual installments. However such expenses (including preliminary expenses at the Company's foreign subsidiary), other than payments made under Voluntary Early Retirement Schemes, incurred upto 31st March, 2003 continue to be written off in six equal annual installments.

	Rupees in lacs	
	March 31,2007	March 31,2006
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances).	495.04	56.54
4. Contingent Liabilities not provided for in respect of:		
(a) Claims & Government demands against the Company not acknowledged as debt.	4545.12	21231.49
The Company does not expect any major impact to arise out of the above claims/demands.		
Against the above claims / demands, payments have been made under protest and / or debts have been withheld by the respective parties, to the extent of Rs. 373.24 lacs (Rs. 2565.64 lacs).		
Included in the above are contingent liabilities to the extent of Rs. 1084.79 lacs (Rs. 1069.70 lacs) relating to the pre transfer period for the erstwhile Power Unit Plant and Power Products Division of the Company, which were transferred to AVTEC Limited in June 2005, however demands to the extent of Rs. 504.24 lacs are covered by a counter guarantee by one of the customers.		
(b) Outstanding Bank Guarantees for import of materials and other accounts.	72.79	1131.59
(c) Duty on import of Capital goods under Export Promotion Capital Goods Scheme Rs. 11.46 Lacs (Nil).		
(d) Bonus for the years 1963-64 to 1967-68 at Hindmotor unit which is under adjudication (amount indeterminate). The Company contends that no liability exists in this regard under the Payment of Bonus Act,1965.		
(e) Demands for Incremental Dearness Allowance during the years 2001 to 2007 at Hind Motor Unit are under adjudication (amount not ascertained).		
5. (a) Rupee Term Loans Rs. 9035.28 lacs from Financial Institutions and Banks together with interest and other charges thereon, are secured by a mortgage on a part of the Company's land with other immovable assets thereon, both present and future and by way of a hypothecation charge over all the movable assets including book debts of the Company.		
(b) Cash Credit Loan facilities from Banks Rs. 3271.61 lacs, together with interest and other charges thereon, are secured by a mortgage on a part of the Company's land together with other immovable assets thereon, both present and future and by way of a hypothecation charge over all the movable assets including book debts of the Company.		
(c) The Charges referred to in (a) and (b) above rank <i>pari passu</i> amongst various Financial Institutions and Banks.		
6. (a) Pending finalisation of agreements with workmen of Hindmotor and Tiruvallur units, minimum bonus liability has been provided.		
(b) The Company's agreement with workmen of Hindmotor Unit has expired on 31st March, 2003. The Company's liability, if any, towards additional salaries/wages, being presently unascertainable, would be accounted for after finalisation of the said agreement.		
7. (a) In terms of accounting policy disclosed vide Note No. 2(XVII) (b) above, Net Deferred Tax Asset of Rs. 2949.22 lacs arising on account of carried forward unabsorbed business losses has not been recognized in the accounts.		
(b) For the current year, Net Deferred Tax liability of Rs. 0.75 lacs (Rs. 0.83 lacs) has arisen in respect of the Company's subsidiary HM Export Limited which has been debited to Profit & Loss Account.		

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The break-up of above Deferred Tax liability as on 31 March, 2007 is as follows :

	Rupees in lacs	
	March 31,2007	March 31,2006
(i) Deferred Tax Liability		
Timing difference in depreciable assets	0.76	0.87
(ii) Deferred Tax Assets		
Expenses allowable against taxable income in future years	0.01	0.04
Net Deferred Tax Liability (i- ii)	0.75	0.83
8. Current Tax provision is net of Rs 180.00 lacs being Minimum Alternative Tax(MAT) Credit available for set-off in terms of Section 115JAA of the Income Tax Act, 1961. Further, Rs 395.00 lacs being MAT paid last year and now, being available as tax credit for set-off in future years as per Section 115JAA of the said Act has been recognised and carried forward as recoverable under MAT Credit Entitlement.		
9. Derivative instruments outstanding as on the Balance Sheet date represent forward contract for future imports amounting to 353092332 (Nil) Japanese Yen. Further, foreign creditors aggregating to Rs. 1259.50 lacs (Rs.1593.86 lacs) respectively are not covered by any derivative instrument.		
10. Fixed assets include Plant & Machinery obtained on Finance lease. The Lease term is for five years after which the Company has the option to purchase the assets. There is no escalation clause in the lease agreement.		

The year-wise break-up of the outstanding obligation in respect of leased assets is as under:

	Rs. in lacs						
	Assets taken on lease		Not later than 1 year		Later than 1 year but not later than 5 years		Later than 5 Years
	Total Minimum Lease Payments during the period	Present Value of minimum lease payments	Minimum Lease Payments	Present Value as on 31.03.07	Minimum Lease Payments	Present Value as on 31.03.07	
Finance Lease	14.98	13.49	14.98	13.49	Nil	Nil	Nil

- Consumption of Raw materials, stores and spare parts includes profit / loss on sale thereof.
- The Suit filed for recovery of Rent from a Sub-tenant, is still pending in the Hon'ble Court. The Court by way of an interim order has directed for payment of rent in installments without prejudice to the rights and contentions of the parties to the Suit. But, the Sub-tenant has defaulted in payment as directed in the Court's Interim Order, against which the Company has moved the Hon'ble High Court, Kolkata.
- In terms of a Development Agreement entered by the Company during the year, the Company has duly transferred a land measuring 61.509 acres at Hindmotor by handing over physical possession thereof against payment to the developer, and profit of Rs 5574.64 lacs thereon has been included in the Profit and Loss Account under the head "Other Income" in Schedule 17. Conveyance deed for the land as aforesaid is pending execution.

In terms of the said agreement, the Company will transfer further 252.491 acres land in 4 lots in the future periods at predetermined rates, over a period of next 24 months.

The Company has given a non-compete undertaking to the developer for a period of five years from the date of agreement or three years from the date of the completion of the development of the property, whichever is earlier, for which it would receive non-compete fee @ 4 % of the sale proceeds of the developed property as and when sold by the developer.

	Rupees in lacs	
	2006-07	2005-06
14. Directors' Remuneration :		
<u>Paid to Managing and Executive Director</u>		
Salary, Allowances etc.	43.72	35.97
Contribution to Provident and Other Funds	6.80	5.18
Others	13.53	2.37
	64.05*	43.52
Directors' Fees	6.00	5.76
	70.05	49.28

* Represents Rs. 64.05 lacs (Rs. 43.52 lacs) paid to Mr. R. Santhanam, Managing Director.

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15. **Earnings per Share (EPS)**

In terms of Accounting Standard 20, the calculation of EPS is given below :-

	Rupees in lacs	
	<u>2006-07</u>	<u>2005-06</u>
Profit / (Loss) after taxation as per accounts (Rs. in lacs)	1273.65	(4,427.80)
Weighted average No. of Equity Shares outstanding during the year	161171993	161171993
Nominal value of Shares (Rs.)	10	10
Basic and Diluted EPS (Rs.)	0.79	-2.75

16. The movements in Provisions for Warranties during the period are as follows:

Provisions	Balance as at 31.03.2006	Additions during the period	Amount used during the period	Balance as at 31.03.2007
Warranties	252.22	253.73	207.22	298.73

17. Disputed / Doubtful debts, claims and advances etc. aggregating to Rs. 889.86 lacs (Rs.837.67 lacs) have not been provided for, pending final settlement of relevant matters. However, the Company is hopeful to recover the above debts, claims etc.

18. Based on the information /documents available with the Company , information as per the requirement of Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 are as under:

	Rs in Lacs <u>2006-07</u>
(i) Principal amount remaining unpaid to any supplier at the end of accounting year.	2642.30
(ii) Interest due on above	120.25
Total of (I) & (ii)	2762.55
(iii) Amount of interest paid by the Company to the suppliers	-
(iv) Amount paid to the suppliers beyond the respective due date	2895.63
(v) Amount of interest due and payable for the period of delay in payments but without adding the interest specified under the Act	-

19. The Company has decided to early adopt Accounting Standard 15 (revised). "Employee Benefits" , and has accordingly changed its accounting policies for gratuity and Compensated absence liability. This change does not have material impact on the profit for the current year.

Disclosure under Accounting Standard- 15 (Revised) on 'Employee Benefits'

	Rupees in lacs	
	<u>2006-07</u>	<u>2005-06</u>
A. Defined Contribution Plan		
Contribution to Provident Fund	484.45	377.97
Contribution to Super Annuation Fund	70.48	62.55

B Defined Benefit Plan

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets Gratuity on terms not lower than the amount payable under the Payment of Gratuity Act, 1972. The aforesaid scheme is funded with an Insurance Company.

Sl	Particulars	Rs in Lacs Gratuity <u>2006-07</u>
I	Net Employee Expense/(benefit)	
1	Current Service Cost	107.96
2	Interest cost on benefit obligation	196.00
3	Expected Return on plan assets	(79.40)
4	Net Actuarial gain/loss recognised in the year	(94.71)
5	Total employer expenses recognised in Profit & Loss Account	129.85

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	Rs in Lacs
	Gratuity
	<u>2006-07</u>
II Actual return on plan assets	90.54
III Benefit Asset/(Liability)	
1 Defined benefit obligation	(2,317.98)
2 Fair Value of Plan Assets	1086.88
3 Benefit Asset/(Liability)	(1,231.10)
IV Movement in benefit liability	
1 Opening defined benefit obligation	2513.66
2 Interest cost	196.00
3 Current Service Cost	107.96
4 Benefits paid	(415.56)
5 Actuarial (gains)/losses on obligation	(84.08)
6 Closing benefit obligation	2317.98
V Movement in fair value of plan assets	
1 Opening fair value of plan assets	1121.86
2 Return on plan assets(actual)	90.54
3 Contribution by employer	290.04
4 Benefits paid	(415.56)
5 Closing fair value of plan assets	1086.88
VI The Principal actuarial assumptions are as follows	
1 Discount Rate	8.50%
2 Salary increase	3.50%
3 Withdrawal Rate	Varying 1 % per annum depending upon duration and age of the employees.
4 Expected rate of return on Plan asset.	8.00%
Note :	
a) The estimates of future salary increase considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.	
b) Since the Company has made early adoption of AS 15 (Revised) on employee benefits w.e.f. April 1,2006 the disclosures as mentioned in (B) above are given only for the current year.	
c) The information in respect of defined benefit obligation for previous four years are not available and hence not furnished.	
d) The Company expects to contribute Rs.130 lacs to the Gratuity fund in 2007-2008.	
20. Related Party Disclosures :	
(a) Name of the related parties :	
Associate Company	AVTEC Limited
Key Management Personnel	Mr. R. Santhanam, Managing Director
(b) Aggregated Related Party Disclosures as at and for the 12 months period from April 1, 2006 to March 31, 2007 (Transactions have taken place on arm's length basis) *	
	(Rs. in lacs)
	Associate Company
	AVTEC Ltd.
Sales	1483.84
	1483.84
Purchase	(1,315.10)
	(1315.10)
Creditors & Other Payables	8380.50
	8380.50
Purchase of Investment	(6,152.91)
	(6152.91)
Item pertaining to Previous year (Net)	577.79
	577.79
Investment	(795.38)
	(795.38)
Misc. Expenses	31.50
	31.50
Rent & Hire charges	(-)
	(-)
	-11.50
	-11.50
	(52.30)
	(52.30)
	6909.96
	6909.96
	(6,878.46)
	(6878.46)
	8.72
	8.72
	(2.35)
	(2.35)
	10.72
	10.72
	(-)
	(-)
* Excludes Rs. 64.05 lacs(Rs.43.52 lacs) being remuneration to Managing Director as disclosed vide Note No. 14 above.	

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21. The Company's segment information (including for the subsidiaries) as at and for the 12 months period from April 1, 2006 to March 31, 2007 are as below :-

		(Rupees in lacs)	
	Automobiles	Others	Total
(a) Revenue *			
External Net Sales	62674.76	210.41	62885.17
	(42817.28)	(107.66)	(42924.94)
(b) Results			
Segment Results	3110.92	-183.04	2927.88
	(-2,686.63)	(-177.66)	(-2,864.29)
Unallocated Expenses net of unallocated Income			-40.53
			(-18.57)
Profit			2887.35
			(-2,882.86)
Interest Expenses			1657.80
			(875.07)
Current Tax			291.25
			(586.58)
Mat Credit Entitlement			-395.00
			(-)
Fringe Benefit Tax			59.66
			(83.80)
Deferred Tax			0.08
			(-0.15)
Excess Provision for Taxation Written Back			0.09
			(0.36)
Profit after Tax			1273.65
			(-4,427.80)
(c) Total Assets			
Segment Assets	43906.69	147.44	44054.13
	(39533.96)	(171.62)	(39705.58)
Unallocated Corporate Assets			9134.59
			(7955.17)
			53188.72
			(47660.75)
(d) Total Liabilities			
Segment Liabilities	21759.19	118.28	21877.47
	(21468.59)	(179.33)	(21647.92)
Unallocated Corporate Liabilities (including Loans)			19076.61
			(16071.06)
			40954.08
			(37718.98)
(e) Other Information			
(i) Non cash expenses included in segment expenses for arriving at Segment Results (Deferred Revenue Expenses written off).	214.58	1.62**	216.20
	(150.93)	(351.23)**	(502.16)
** Unallocated portion			

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(ii)	Capital Expenditure		Depreciation	
	2006-07	2005-06	2006-07	2005-06
Automobiles	1524.84	1376.63	2307.69	1789.61
Others	3.42	12.96	19.14	12.92
	<u>1528.26</u>	<u>1389.59</u>	<u>2326.83</u>	<u>1802.53</u>
(f) Geographical Segments				
Revenue *			2006-07	2005-06
India			62092.17	42453.34
Overseas			793.00	471.60
			<u>62885.17</u>	<u>42924.94</u>

* Net of Excise Duty, Sales Tax and Value Added Tax.

Notes :

- (i) Business Segment : The business segments have been identified on the basis of the products of the Company. Accordingly, the Company has identified "Automobiles" as the operating segments :
- Automobiles - Consists of manufacture and sale of Passenger Cars, Utility Vehicles & Trucks and Components & Accessories thereof.
- Others - Service Operations consisting less than 10% of the Revenue.
- (ii) Geographical Segment : The Company primarily operates in India and therefore the analysis of geographical segments is demarcated into its Indian and Overseas Operations.
- (iii) Total carrying amount of segment assets by geographical location of assets, for the Company's overseas operations are below 10 % of the total assets of all segments, and hence not disclosed.
22. Excise duty on stocks represents differential excise duty on opening and closing stock of finished goods.
23. a) The following items are included under other heads in the Profit & Loss Account.

	Rupees in lacs	
	2006-07	2005-06
EXPENSES		
Raw Materials and Components	38.27	22.61
Stores and Spares	86.17	74.59
Building Repairs	0.34	(-)
Machinery Repairs	107.35	137.33
Selling Expenses, Service Charges, Claims etc.	9.00	5.92
Interest	0.32	0.27

- b) Salaries & Wages as well as Stores consumption relating to repairs have not been segregated but are charged to the relevant account heads.
24. Previous period's figures (including those which are in brackets) have been regrouped / rearranged wherever necessary. Further, current year's figures being for twelve months are not comparable with previous period figures being for nine months.

Signatures to schedules 1 to 24

In terms of our attached Report of even date.

S.R.Batliboi & Company

Chartered Accountants

Per **R.K. Agrawal**

a Partner

Membership No.16667

Camp : New Delhi

May 30 , 2007.

Yogesh Goenka
Chief Financial Officer
G. N. Pareek
Secretary

As Approved,
For and on behalf of the Board of Directors
C. K. Birla
Chairman

R. Santhanam
Managing Director

ATTENDANCE SLIP

HINDUSTAN MOTORS LIMITED

Regd. Office : 'Birla Building', 9/1 R. N. Mukherjee Road, Kolkata-700 001

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

Joint Shareholders may obtain additional slip on request.

NAME AND ADDRESS OF THE SHAREHOLDER

Folio / Account No.	
No. of Shares held	

I hereby record my presence at the **65th Annual General Meeting** of the Company held on Monday, the 27th August 2007 at 3.00 p.m. at Kolkata Ice Skating Rink, 78, Syed Amir Ali Avenue, Kolkata - 700 019.

SIGNATURE OF THE SHAREHOLDER OR PROXY*

*Strike out whichever is not applicable.

[TEAR HERE]

PROXY FORM

HINDUSTAN MOTORS LIMITED

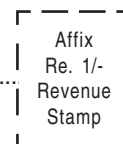
Regd. Office : 'Birla Building', 9/1 R. N. Mukherjee Road, Kolkata-700 001

I/We
of
.....being member(s) of
Hindustan Motors Ltd., hereby appoint
ofor failing him
.....of
as my/our proxy to attend and vote for me/us on my/our behalf at the 65th Annual General Meeting of the Company to be held on 27th August 2007 and / or at any adjournment thereof.

Signed this day of, 2007

Folio / Account No.	
No. of Shares held	

Signature



Note : The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.

Book Post

If undelivered please return to :



**Hindustan
Motors
Limited**

**"Birla Building"
9/1, R. N. Mukherjee Road, Kolkata - 700 001**