



**Hindustan Motors Limited**

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# HINDUSTAN MOTORS LIMITED

## ANNUAL REPORT

Year Ended March 31, 2008

### 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 S. C. Jain	LIC Nominee
Shri Yogesh Kr. Rastogi	ICICI Nominee
Shri A. Sankaranarayanan	
Shri R. Santhanam	Managing Director

### Chief Financial Officer &

### Company Secretary

Yogesh Goenka

### 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

M/s Karvy Computershare Pvt. Limited  
Plot Nos. 17 to 24 Vittal Rao Nagar,  
Madhapur, Hyderabad 500 081  
Telephone No : (040) 23420818-828  
Fax No. : (040) 23420814  
E-mail : mahendra.singh@karvy.com

### 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-sixth 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 Tuesday, the 5th August, 2008 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, 2008.
- (2) To appoint a Director in place of Shri C. K. Birla who retires by rotation and being eligible offers himself for re-appointment.
- (3) To appoint a Director in place of Shri A. Sankaranarayanan who retires by rotation and being eligible offers himself for re-appointment.
- (4) To appoint a Director in place of Shri S. C. Jain who retires by rotation and being eligible offers himself for re-appointment.
- (5) 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 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.2200000/- (Rupees Twenty two 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."

Registered Office:  
'Birla Building'  
9/1, Rajendra Nath Mukherjee Road  
Kolkata 700 001  
Dated, the 8th May, 2008

By Order of the Board  
For HINDUSTAN MOTORS LTD

**Yogesh Goenka**  
Chief Financial Officer &  
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/herself 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 Articles 90 and 91 of the Articles of Association of the Company Shri C. K. Birla, Shri A. Sankaranarayanan and Shri S. C. Jain , Directors of the Company retire by rotation in the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Information about such Directors 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 in 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 Registrar & Share Transfer Agents, M/s Karvy Computershare Private Limited at Plot Nos. 17 to 24 Vittal Rao Nagar, Madhapur, Hyderabad - 500 081 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 Tuesday, the 29th July, 2008 to Tuesday, the 5th August, 2008 (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 folio number and in case their Shares are held in the dematerialised form, they must quote their Client ID and their DP ID Numbers.
11. The shares of the Company are in compulsory demat segment. Those members who still continue to hold shares in physical form, are requested to dematerialise their shares at the earliest.

## Directors' Report to the Shareholders

Your Directors present their Sixty-sixth Annual Report together with audited accounts of the Company for the year ended March 31, 2008.

### Financial Results

During the year under review, the Company's revenue was Rs 853 Crores compared to Rs 806 Crores in the last financial year. During the year the revenue grew by 6%.

The following table gives a summary of the performance.

	<i>(Rupees in Crores)</i>	
	<u>2007-08</u>	<u>2006-07</u>
Gross sales and services	853.01	806.37
Profit/(Loss) before Interest,		
Depreciation and Taxes	86.99	52.75
Interest payment	20.03	16.73
Depreciation	21.15	23.23
Profit/(Loss) before Tax	45.81	12.79
Provision for Tax	14.97	(-)0.51
Profit/Loss After Taxation	30.84	13.30

In September 2006, the Government of West Bengal had allowed the Company to develop 314 acres of land at Hindmotor as Integrated IT Township & Auto Ancillary Park. In accordance with the Order, the Company has transferred a part of its land admeasuring 126.90 acres by handing over physical possession thereof against payment to the developer, and profit of Rs 103.20 Crores thereon has been included in the Profit and Loss Account. The Company is scheduled to transfer further 125.591 acres land during the financial year 2008-09 against payment.

There was a debit balance of Rs.73.16 Crores in the Profit and Loss Account, which was brought forward from last year. After considering the results of the year under review, there is a closing debit balance of Rs. 42.32 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 has traditionally been focused on the automobile business with Plants in Uttarpara & Pithampur focusing on Ambassador range of cars and utility vehicles respectively and the Plant in Chennai focusing on Mitsubishi range of products consisting of Lancer, Cedia, Pajero & Montero.

The Company's unit at Uttarpara, in addition to the car business, has in recent years embarked on

developing a set of auto component businesses namely supplying of castings, forgings and stampings to other manufacturers in the automobile and component industries. Steps have been taken to modernize the facilities in order to increase its output and reduce costs.

These initiatives did suffer a temporary setback when the operations were affected due to industrial unrest in the first 40 days of the financial year. Normalcy was restored on 10th May, 2007 and since then the situation has been peaceful.

During the year your Company introduced a number of new models - a new variant of the Ambassador air conditioned metered taxi for Kolkata market from the Uttarpara Plant and Cedia with Auto LPG, New Pajero & Montero A/T from its Chennai Car Plant. All these products have been received well in the market and are expected to increase the sales of your Company in the current financial year.

The Ambassador cars continued to enjoy steady demand during the year from its traditional customer base such as Tourist taxi and Institutions etc.

Sale of automobiles during the year under review consisting of Ambassador, Lancer, Cedia, Sports Utility Vehicle and other Utility Vehicles is 12714 nos. compared to 13775 nos. during the previous financial year.

The margins in the automobile business remained under pressure due to increase in input costs, specifically the sharp increase in steel prices 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 new branch of your Company has been opened in Japan in order to avail the business opportunities in engineering services.

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

### Outlook for 2008-09

Based on the expected growth rate of the economy and the passenger vehicle industry, sales from range of Sports Utility Vehicles, Passenger Cars, Components and other products should enable the Company to achieve higher sales volume. Dealer development activities are in place so as to strengthen the distribution channel commensurately. The initiatives at Uttarpara Plant to develop Foundry, Forge & Stamping Units into focused business units should benefit the Company in current financial year. The Company continues to focus on cost reduction efforts and improvements in

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operational efficiencies as well as value engineering activities. The sale of balance two lots of land at Hindmotor will be made during the current financial year. With these initiatives, the Company expects improved results in current financial year.

### **Investment**

The Company has invested US \$ 300000 as share capital in its wholly owned subsidiary, Hindustan Motors Limited, USA during the year under review.

### **Industrial Relations**

Operations of the Company's Uttarpara Plant was adversely affected due to the labour unrest during the period March-May 2007. Consequently, the initiatives taken by the Company for developing the auto component business did suffer a temporary setback. After resumption of work from 10th May, 2007, normalcy has been restored and the industrial relations situation is cordial.

During the year under review, the Company had introduced Voluntary Early Retirement Schemes at its Uttarpara Plant and around 600 employees have opted for early retirement till 31st March, 2008. Human resources initiatives such as skill level upgradation, training, appropriate reward & recognition systems and productivity improvement are the key factors continuously being focused for development of the employees of the Company.

### **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 Annexure-2. The Company has complied with all the requirements of corporate governance. The certificate from the Auditors of the Company confirming compliance to 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. 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 (2A) of the said Section are also given as Annexure-4.

Additional Information relating to conservation of energy, technology absorption, foreign exchange earnings 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 2007-08 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 has not made any provision in respect of disputed insurance claim, which is identified as "doubtful" in the accounts, as the same is subjudice and the Company is reasonably confident of recovering the amount. 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 statement pursuant to Section 212 of the Companies Act, 1956 in respect of the three wholly owned subsidiary companies, namely Hindustan Motor Finance Corporation Limited, HM Export Limited and Hindustan Motors Limited, USA and their latest Annual accounts are attached to this Annual Report.

### **Directors**

At the ensuing Annual General Meeting, Shri C.K. Birla, Shri A. Sankaranarayanan and Shri S.C. Jain, Directors of the Company, retire by rotation and being eligible offer themselves for re-appointment.

### **Appreciation**

Your Directors acknowledge and thank the customers, shareholders, dealers, vendors, state government authorities, 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  
8th May, 2008

**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 registered a GDP growth rate of 8.7% as per the Economic Survey tabled by the Government. The index of industrial production increased by 9.0% in this year compared to 11.6% in the previous year. Sale of Passenger Vehicles in the country grew by 12.17% during the year compared to 20.70 % in the immediate preceding year.

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

Domestic Sales-Nos	2006-07	2007-08	% age Increase
Passenger Cars	1076582	1203531	11.79
Utility Vehicles	220306	243589	10.57
Multi-purpose Vehicles	83091	100865	21.39
<b>Total Passenger Vehicles</b>	<b>1379979</b>	<b>1547985</b>	<b>12.17</b>

Source: Society of Indian Automobile Manufacturers – Flash Report

Sale of Company's vehicles during the year was 12714 numbers compared to 13775 numbers in the previous financial year. The principal reason for lower sales numbers was the disruption of operations at the Company's Uttarpara Plant due to industrial unrest. Normalcy was restored from 10th May, 2007.

During the year, the Company's plant at Chennai introduced two models of Premium Sport Utility Vehicles from Mitsubishi Motors, Japan. A new model of 'Montero' was launched in June 2007 and an upgraded model with automatic transmission was launched in January 2008. Pajero was upgraded during the year and was launched in the market in February 2008. In line with the Company's policy of introducing low emission cars, Cedia was introduced with Auto LPG in July 2007. The Sports Utility Vehicles cater to the premium segment and the demand for such vehicles is increasing with the steady growth in economy.

The Ambassador Car caters to niche segments in the market and the demand was steady during the year. The Company launched Ambassador air conditioned metered taxi in Kolkata during the year under review.

#### Opportunities & Threats

The growth of passenger vehicles during 2008-09 is expected to be in the region of 8-10% lower than the 12.17% achieved in 2007-08. The GDP growth rate too is expected to be lower at 8.0%. With the increase in capacities, introduction of newer models, and entry of additional players, competition is expected to increase further. The reduction in excise duty for small cars from 16% to 12% and increase in threshold limit of exemption of personal income tax in the current year Union Budget augur well for the industry, however the continued high rate of interest and increase in petroleum and steel prices are causes for concern.

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 ~15% during the last year. In the current financial year, the growth is expected to be around 10-15%. Even though the Company's plan suffered due to some of the unfortunate events during the industrial relations disturbance in the beginning of the year, the Company is taking number of initiatives to develop the auto component business for supplying to OEMs and to export markets. Adequate steps are being taken to develop its Foundry, Forge & Stamping Units as outward looking business units and over time these three businesses are expected to contribute significantly to the overall revenue of the Company. In order to focus and grow each of the auto component business lines namely, Forgings, Stampings and Castings, the Company has started branding them separately as Accu Forge, Accu Stamp and Accu Cast respectively.

#### Financial Performance

Total turnover of the Company during the year was Rs.853 Crores against Rs.806 Crores in the previous financial year. This indicates a growth of 6% compared to previous financial year. The profit before interest, depreciation and taxation for the year was Rs. 87 Crores, including other income of Rs. 119 Crores which includes profit from sale of immovable properties in the State of West Bengal.



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Transfer of 314 acres land for Integrated IT Township & Auto Ancillary Park at Hindmotor, in five lots is proceeding in accordance with the approval of Government of West Bengal and periodic progress reports have been filed with the Government. The West Bengal Government's subsequent recommendation for reservation of 14 acres area for the economically weaker sections of the society too is being complied with.

The Company is predominantly in automobile and auto component business. The segment-wise results are indicated in the notes schedule to the accounts.

The Outlook for the year 2008-09 and status on Human Resources/Industrial Relations are given in the Directors' Report.

### **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, reduction in 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  
8th May, 2008

**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 have ten members comprising of one Executive Director and nine Non-Executive Directors. The Non-Executive Directors account for ninety percent of Board's strength against minimum requirement of fifty percent as per Clause 49 of the listing agreement. There are eight independent Directors. 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 who is also a Promoter of the Company. 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	11	-	-
Shri Naresh Chandra	Independent - Non Executive	14	8	-
Shri Pradip Kumar Khaitan	Not Independent - Non Executive	15	5	1
Shri R. Vasudevan	Independent - Non Executive - IDBI Nominee- Lender	7	4	1
Dr. Anand C. Burman	Independent - Non Executive	15	2	1
Shri Kranti Sinha	Independent - Non Executive	2	4	3
Shri S. C. Jain	Independent - Non Executive - LIC Nominee	2	1	-
Shri Yogesh Kr. Rastogi	Independent - Non Executive - ICICI Nominee-Lender	1	-	-
Shri A. Sankaranarayanan	Independent - Non Executive	3	1	1
Shri R. Santhanam	Managing Director	-	-	-

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

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None of the Non-Executive Directors of the Company has any pecuniary relationship or transaction with the Company, except Shri Pradip Kumar Khaitan, Director of the Company, who is a partner of M/s Khaitan & Co., the Company's Solicitors and Advocates. There is no inter se relationship between the Directors.

**(b) Board Meetings**

During the year ended 31st March, 2008, six meetings of the Board of Directors were held on 21st May, 2007, 30th May, 2007, 25th July, 2007, 27th August, 2007, 24th October, 2007, 28th January, 2008. The attendance of the Directors in these meetings was as follows:

Name of the Directors	Board Meetings		Last Annual General Meeting
	Held	Attended	If Attended
Shri C. K. Birla	6	5	Yes
Shri Naresh Chandra	6	5	Yes
Shri Pradip Kumar Khaitan	6	3	Yes
Shri R. Vasudevan	6	4	Yes
Dr. Anand C. Burman	6	3	No
Shri Kranti Sinha	6	6	Yes
Shri S. C. Jain	6	5	Yes
Shri Yogesh Kr. Rastogi	6	4	Yes
Shri A. Sankaranarayanan	6	5	Yes
Shri R. Santhanam	6	6	Yes

**(c) Shareholding of Non Executive Directors**

As on 31st March, 2008 number of shares held by Non Executive Directors were as follows:-

Name of Non-Executive Directors	No. of Shares held on 31st March, 2008
Shri C. K. Birla	6000
Shri Naresh Chandra	500
Shri Pradip Kumar Khaitan	500
Dr. Anand C. Burman	1000
Shri Kranti Sinha	500
Shri A. Sankaranarayanan	1300

### 3. Audit Committee

(a) The Audit Committee of Directors was constituted on 15th May, 1987. The terms of reference of the Audit Committee were expanded by the Board of Directors of the Company at its meetings held on 25th January, 2000, 31st August, 2000, 29th January, 2005 and on 27th April, 2006 and covers the matters specified for it under Clause 49 of Listing Agreement as well as in 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 R. Vasudevan
- Shri Kranti Sinha
- Shri S. C. Jain
- Shri Yogesh Kr. Rastogi
- Shri A. Sankaranarayanan

- All members are Non-Executive and Independent Directors. The composition of the Committee is in conformity with clause 49(II) (A) of the Listing Agreement. 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 27th August, 2007 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, the Statutory Auditor, Cost Auditor, and the Chief Financial Officer & Company Secretary, 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 year ended 31st March, 2008 four Audit Committee Meetings were held on 30th May, 2007, 25th July, 2007, 24th October, 2007 and 28th January, 2008 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	3
Shri Kranti Sinha	4	4
Shri S. C. Jain	4	4
Shri Yogesh Kr. Rastogi	4	3
Shri A. Sankaranarayanan	4	3

**4. Remuneration Committee**

The Board of Directors of the Company at their meeting held on 14th March, 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 Chief Financial Officer & Company Secretary acts as the Secretary of the Committee.

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

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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.

**Remuneration paid to Directors during the financial year ended 31st March, 2008****Non-executive Directors** *(Amount in Rs.)*

Name	Sitting fees for attending Committee and Board Meetings
Shri C. K. Birla	50,000
Shri Naresh Chandra	1,30,000
Shri Pradip Kumar Khaitan	50,000
Shri R. Vasudevan	80,000
Dr. Anand C. Burman	30,000
Shri Kranti Sinha	1,00,000
Shri S. C. Jain	90,000
Shri Yogesh Kr. Rastogi	70,000
Shri A. Sankaranarayanan	90,000

**Executive Director** *(Amount in Rs.)*

Shri R. Santhanam, Managing Director	
Salary* and allowances	49,48,000
Benefits	3,06,205
Bonuses	10,00,000
Stock Option	-
Contribution* to :-	
(i) Superannuation Fund	4,32,000
(ii) Provident Fund	3,45,600
<b>Total</b>	<b>70,31,805</b>

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

**Notes:**

- 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.
- 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.
- 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.

**5. 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 Shri Naresh Chandra and Shri Pradip Kumar Khaitan for the limited purpose of finalizing the development programme / sale of the Company's land at Uttarpara. During the year under review only two meetings of such committee of Directors were held on 12th June, 2007 and 19th January, 2008 in which both the members were present.

**6. 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 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 year under review four meetings of such committee were held on 5th June, 2007, 31st July, 2007, 4th December, 2007 and 11th March, 2008.

**7. 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 year under review.

**8. 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	Non-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 Yogesh Goenka, Chief Financial Officer & Company Secretary of the Company is designated as the Compliance Officer.

The Committee oversees the performance of M/s Karvy Computershare Pvt. Limited, the Registrar 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 Registrar and Share Transfer Agents, all the share transfer/ transmission cases approved by the Registrar are reported to the Committee which also keeps a close watch on disposal status of all complaints/grievances of shareholders. During the year under review, 180 complaints were received by the Company / Registrar and Share Transfer Agents from shareholders and/or through regulatory bodies. Except for four complaints forwarded by SEBI, no other complaint was pending as on 31st March, 2008. There were no share transfer applications pending for registration as on 31st March, 2008 except 12 applications for 3899 shares which were under Sellers' Notice cases.

## HINDUSTAN MOTORS LIMITED

During the year ended 31st March, 2008 two meetings were held on 30th May, 2007 and 28th January, 2008 and the attendance of the Members was as under:-

### Shareholders'/Investors' Grievances Committee

Name of the Shareholders'/Investors' Grievances Committee Members	Held	Attended
Shri Naresh Chandra	2	2
Shri Pradip Kumar Khaitan	2	-
Shri R. Vasudevan (IDBI Nominee)	2	1
Shri A. Sankaranarayanan	2	1
Shri R. Santhanam	2	2

Complaints received during the financial year ended 31st March, 2008 by the Company and the Registrar and Share Transfer Agents of the Company

Nature of Complaints	No. of complaints	
	Received	Attended to
Non-receipt of Dividend Warrants	29	29
Non-receipt of redemption warrant	3	3
Non-receipt of Annual Report	37	37
Non-receipt of Securities	66	64
Non-receipt of fresh/new Securities	4	4
Non-receipt of Securities after transfer	23	23
Complaint relating to transfer of shares	5	5
Miscellaneous	13	11
	<b>180</b>	<b>176</b>

### 9. 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	27th August, 2007	Kolkata Ice Skating Rink 78, Syed Amir Ali Avenue Kolkata-700019.	Yes
Annual General Meeting	28th July, 2006	-do-	No
Annual General Meeting	26th October, 2005	-do-	No

During the year, no resolution was passed through postal ballot in accordance with Section 192A of the Companies Act, 1956.

**10. 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.

No personnel has been denied access to the Audit Committee.

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

**11. Means of Communication**

Subject	Details
Quarterly results –	Published in the newspapers in terms of Clause 41 of the Listing Agreement.
Newspapers wherein results normally published	The Financial Express – All India publications. Aajkal (Bengali version) – Kolkata Edition
Any website, where displayed	www.hindmotor.com
Whether it also displays official news released 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.

**12. General Shareholder Information**

Annual General Meeting	
Date & time	5th August, 2008 at 3.00 p.m.
Venue	Kolkata Ice Skating Rink, 78, Syed Amir Ali Avenue, Kolkata – 700 019.
Financial Year	1st April, 2008 to 31st March, 2009 a. 1st Quarterly Results On or before 31st July, 2008 b. 2nd Quarterly Results On or before 31st October, 2008 c. 3rd Quarterly Results On or before 31st January, 2009 d. Annual Audited Results On or before 30th June, 2009
Date of Book closure	29th July, 2008 to 5th August, 2008 (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 year 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.



## HINDUSTAN MOTORS LIMITED

Listing on Stock Exchanges	The Calcutta Stock Exchange Association Limited, 7, Lyons Range, Kolkata 700 001 Tel: 91-33-2230 9366/1488, Fax : 91-33-2210 4492/4486	
	Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 Tel: 91-22-2272 1233/1234 Fax: 91-22-2272 2041/3577	
	National Stock Exchange of India Limited "Exchange Plaza", Bandra-Kurla Complex, Bandra (E), Mumbai 400 051 Tel: 91-22-2659 8235/8236 Fax: 91-22-2659 8237/8238	
Stock code	The Calcutta Stock Exchange	1000012
	Bombay Stock Exchange Ltd.	500500
	National Stock Exchange of India Ltd.	HINDMOTOR

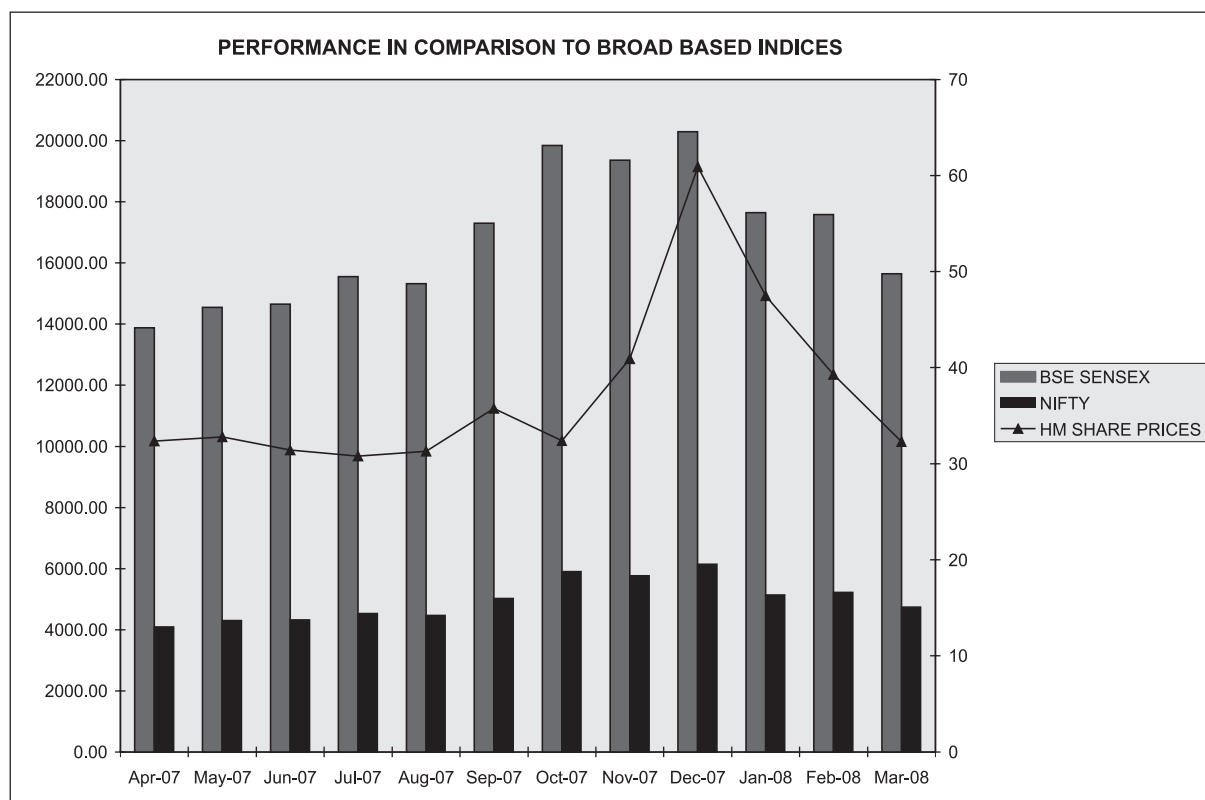
### Market Price Data

The Company's shares are listed on The Calcutta Stock Exchange Association Limited, Bombay Stock Exchange Limited and National Stock Exchange of India Ltd. The monthly high and low quotations of shares traded during the year ended 31st March, 2008 are as below:

Month	CSE		BSE		NSE	
	High	Low	High	Low	High	Low
April-07	NIL	NIL	34.70	30.00	34.75	31.05
May-07	NIL	NIL	36.00	32.20	37.50	32.20
June-07	NIL	NIL	34.45	30.50	34.35	30.40
July-07	NIL	NIL	34.10	30.70	34.15	30.10
August-07	NIL	NIL	33.30	24.00	33.35	24.00
September-07	NIL	NIL	38.20	29.90	39.00	29.30
October-07	NIL	NIL	36.90	29.00	36.80	28.00
November-07	NIL	NIL	45.75	30.10	45.75	29.15
December-07	NIL	NIL	62.50	40.80	62.40	40.90
January-08	NIL	NIL	94.75	47.30	95.00	47.30
February-08	NIL	NIL	52.60	38.50	52.65	38.30
March-08	NIL	NIL	40.70	25.05	40.75	25.05

**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  
 Plot nos. 17 to 24 Vittal Rao Nagar  
 Madhapur, Hyderabad 500 081  
 Telephone No : (040) 23420818-828  
 Fax : (040) 23420814  
 E-mail : mahendra.singh@karvy.com

**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 not more than 7 days from the date of receipt of the request. The Authorized Officers of the Registrar and Share Transfer Agents meet as often as required. During the year ended 31st March, 2008, 214603 shares in physical form were transferred and the transfer process was completed within an average time period of not more than 7 days from the date of lodgement unless notices were required to be sent to the Registered Owners in certain identified categories of cases.

## HINDUSTAN MOTORS LIMITED

### The Distribution of Shareholding as on 31st March, 2008

No. of Shares	Shareholders		Shares	
	Numbers	%	Numbers	%
1 - 500	137969	84.79	23964277	14.87
501 - 1000	13832	8.50	11604007	7.20
1001 - 2000	5803	3.57	9018463	5.60
2001 - 3000	1766	1.09	4582528	2.84
3001 - 4000	727	0.45	2635767	1.64
4001 - 5000	832	0.50	3990019	2.48
5001 - 10000	966	0.59	7228617	4.49
10001 - 20000	406	0.25	5986764	3.70
20001 And Above	426	0.26	92161551	57.18
<b>TOTAL</b>	<b>162727</b>	<b>100.00</b>	<b>161171993</b>	<b>100.00</b>

### Category of Shareholders as on 31st March, 2008

Sl. No.	Category	No. of Holders	% of holders	No. of Shares	% of Shareholding
1	Promoters	25	0.02	43873754	27.22
2	Resident Individuals	157998	97.09	73190236	45.42
3	Private Corporate Bodies	2573	1.58	23610553	14.65
4	Financial Institutions/Banks/Insurance Companies	70	0.04	14512125	9.00
5	Mutual Funds/UTI	16	0.01	67150	0.04
6	Foreign Institutional Investors	23	0.01	1726544	1.07
7	NRIs & OCBs	1686	1.04	1373782	0.85
8	Foreign Companies/Non-residents (Foreign)	8	0.01	1911770	1.19
9	Clearing Members	328	0.20	906079	0.56
	<b>TOTAL</b>	<b>162727</b>	<b>100.00</b>	<b>161171993</b>	<b>100.00</b>

### 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, 2008, about 91.87% of the Company's shares were held in dematerialised form.

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

**Plant Locations (Manufacturing Units)**

Address	Items produced
1. Uttarpara Division (UTP) Hindmotor Dist. Hooghly West Bengal – 712 233	Ambassador, Auto Components namely Forging, Stamping, Castings and Spare parts.
2. Chennai Car Plant (CCP) Adigathur Kadambathur – 631 023 Tiruvallur Dist., Tamil Nadu	Lancer, Cedia, Pajero, Montero and Spare parts.
3. Rural Transport Vehicle Plant (RTV) Pithampur Sector III, Sagore – 454 774 District Dhar (Madhya Pradesh)	Rural Transport Vehicle (RTV) Multi-utility vehicles and spare parts

**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 8, 2008

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  
Plot nos. 17 to 24 Vittal Rao Nagar  
Madhapur , Hyderabad 500 081  
Telephone No : (040) 23420818-828  
Fax No. : (040) 23420814  
E-mail : mahendra.singh@karvy.com
- For queries/assistance on issues other than shares (including those related to financial statements) :  
Shri Yogesh Goenka  
Chief Financial Officer & Company Secretary  
Hindustan Motors Ltd  
9/1, R N Mukherjee Road  
Kolkata 700 001  
Telephone No : (033) 2242-0932/0930  
Fax No. : (033) 22480055,  
E-mail : hmcosecy@hindmotor.com

## HINDUSTAN MOTORS LIMITED

- For share transfer/transmission requests

Any of the local branches of Karvy Computershare Pvt. Ltd., a list of which can be available from Karvy's aforesaid address or from the office of the Chief Financial Officer & Company Secretary.

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

Name of Director	Shri Chandra Kant Birla	Shri A. Sankaranarayanan	Shri S. C. Jain
Date of birth	9th January, 1955	29th July, 1942	4th February, 1944
Date of appointment	13th January, 1982	8th January, 1997	15th December, 2003
Qualification	B.A.	B.E. (Mech)	Master of Arts (English Literature)
Nature of expertise in specific functional areas	Industrialist having rich business experience	As an Engineer of high caliber he has expertise in developing and introducing new products, updating existing product range and mix in achieving import substitutions and strengthening the In-house R&D activities.	Retired senior executive of Public Sector undertaking having varied experience in business.
Names of directorship in other companies	1. Orient Paper & Industries Ltd. 2. National Engineering Industries Ltd. 3. Hyderabad Industries Ltd. 4. Birlasoft Ltd. 5. Birla Associates Pvt. Ltd., Singapore 6. Nigeria Engineering Works Ltd., Nigeria 7. Birlasoft Inc., USA 8. Birlasoft (UK) Ltd., London 9. The Indian Smelting & Refining Co. Ltd. 10. Panafrikan Paper Mills (EA) Ltd., Kenya 11. AVTEC Ltd.	1. Birlasoft Ltd. 2. The Indian Smelting & Refining Co. Ltd. 3. AVTEC Ltd.	1. Jay Engineering Works Ltd. 2. Stock Holding Corporation of India Ltd.
Names of committees of other companies in which the director is a member.	NIL	Audit Committee of AVTEC Ltd.	Audit Committee of Stock Holding Corporation of India Ltd.
No. of shares held in the Company	6000	1300	NIL
Relationships with other Directors	No	No	No

The above report was placed before and approved by the Board at its Meeting held on 8th May, 2008.

For and on behalf of the Board of Directors

New Delhi  
8th May, 2008

**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 March 31, 2008, 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 abovementioned 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 & CO.**  
*Chartered Accountants*  
Per **R. K. AGRAWAL**  
*a Partner*  
Membership No. 16667

Place: New Delhi  
May 8, 2008

### 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 year ended 31st March, 2008, 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 profit 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  
8th May, 2008

**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 31st March, 2008.**

- 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 ( 54 )	Managing Director (30)	7031805	4207983	B.Tech., P.G., Dip(Mgmt)	21. 04. 2004	Mahindra Holiday Resorts Ltd./ Managing Director / 03
Eric Paul Rajendran (49)	Executive Vice President (25)	3097107	1971075	P.G. in Personnel Mgmt.	20. 04. 1998	Nagarjuna Fertilizers & Chem.Ltd./Group GM(HR)/04
Chowdhury Moloy (53)	Executive Vice President—UTP (30)	3648432	2450876	B. E. (Mech)	20. 01. 2006	Govind Rubber Ltd./Director Operation/01-08
Vijay Kumar YVS (44)	Vice President —CCP (20)	4156055	2865907	B. E., MBA	16.01.2006	Delphi, Noida / Vice President /01
Ravi K R (50)	Vice President (26)	3022550	1782055	MA in Personnel Mgmt., MA in Public Admin.	12. 12. 2005	PSEG Global/02

- 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.

Venkataraman S (60)	Vice President —RSD (36)	2837676	868380	B.E.	15.09.1971	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 Automobile Division, Chennai Car Plant (Tiruvallur)

RSD denotes Remote Service Division, (Chennai)

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  
8th May, 2008

**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. At Forge Shop the maximum demand has been kept at 11260 KVA though the load has been increased to 12000 KVA by taking following measures:
  1. Application of power capacitors at different sub stations;
  2. Monitoring peak load time at different shops; and
  3. Reducing number of man cooler fan.
- b. Power factor has been maintained at 0.98 resulting in saving in energy cost.
- c. Water consumption has been reduced from 1900 metre cube per day to 1400 meter cube per day.
- d. Power consumption for compressor has been maintained at the level of 17000 KWH per day by :
  1. Arresting leakage;
  2. Increasing compressor efficiency; and
  3. Running compressor on demand

##### At CCP Division :

- a. Introduction of Variable Frequency Drive in Reverse Osmosis Plant.
- b. Reduction in capacity of Motor in collection tank pump of Effluent Treatment Plant
- c. Introduction of Light Emitting Diode bulbs in sub station
- d. Increasing compressor efficiency and running compressor on demand
- e. Power factor maintained at 0.98-0.99
- f. Production operation planned in night on demand resulting in saving in energy cost

##### At RTV Division :

- a. The load demand was reduced in 2006-07, further reduction is allowed after completion of two years.
- b. Power factor is continued to be maintained at 0.98-0.99

#### A. II. Impact of above energy conservation measures :

i) Total savings (for all the divisions)	:	Rs. 31.91 lacs
ii) Energy saving per unit of output at		
a. UTP Division	:	Rs. 172.20
b. CCP Division	:	Rs. 400.00
iii) Energy saving against total cost of energy at		
a. UTP Division	:	1.81%
b. CCP Division	:	4.76 %

### 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. Introduction of Ambassador 2000 DSZ Naturally Aspirated (NA) BS-3 model.



- b. Ambassador 1800 MPFI Catalytic Converter optimization by using updated wash coat technology on ceramic bricks.
- c. Introduction of Ambassador Grand Features fitted with improved exterior in all Ambassador models.

**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 Central Motor Vehicle Rules
- b. Development of Ambassador car with bi-fuel (LPG & Petrol and CNG & Petrol)
- c. Introduction of higher capacity Gasoline Sequential Fuel Injection (SFI) Engine
- d. Introduction of new product.

**B. IB. At CCP Division**

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

- a. Introduction of upgraded Pajero MY08 model.
- b. Introduction of Cedia with bi-fuel option (LPG & Petrol)
- c. Introduction of new product Montero Automatic Transmission
- d. Introduction of Lancer MY07 model

**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 Central Motor Vehicle Rules.
- b. Introduction of new models like 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. Certification of CNG goods variants
- b. Certification of seat anchorage based on new CMVR.

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

- a. Compliance of regulatory norms/requirements.

**3. Future plan of action :**

- a. Introduction of new product

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

(For all the divisions taken together)

Capital Expenditure	:	Rs. 34.02 lacs
Recurring	:	Rs. 150.60 lacs
Total	:	Rs. 184.62 lacs
Percentage of Turnover	:	0.28 %

**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 plans of action
Mitsubishi Cedia ELEGANCE & SPORTS	2005	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 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 with Manual Transmission	2006	-do-	Technology for CBU route has been fully absorbed.	NA
Mitsubishi Montero with Automatic Transmission	2007	-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.31.70 lacs as against the corresponding figure of Rs.309.96 lacs for the financial year ended 31st March, 2007.

UTP Plan to export 60 Nos. of vehicles to Sri Lanka for an aggregate value of Rs. 200 lacs. It also plans to export vehicles through Company's wholly owned subsidiary of an estimated value of Rs. 55 lacs.

During the financial year ended 31st March, 2008 the Company has imported raw materials, components/spare parts and capital goods for an aggregate CIF value of Rs.19711.30 lacs (against a corresponding figure of Rs.14953.44 lacs for the financial year ended 31st March, 2007). The Company has also incurred expenditure in foreign currency towards Royalties, Technical know-how fees, Interest and other expenses aggregating to Rs.778.16 lacs (against a corresponding figure of Rs.124.11 lacs for the financial year ended 31st March, 2007).

For and on behalf of the Board of Directors

New Delhi  
8th May, 2008

**C. K. Birla**  
Chairman

## Disclosure

**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, Smt. Amita Birla, 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.

For and on behalf of the Board of Directors

New Delhi  
8th May, 2008

**C. K. Birla**  
*Chairman*

**AUDITORS' REPORT****TO THE MEMBERS OF  
HINDUSTAN MOTORS LIMITED**

1. We have audited the attached Balance Sheet of HINDUSTAN MOTORS LIMITED, as at 31st March, 2008 and also the Profit & Loss Account and the 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 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.
3. 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.
4. 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 and proper returns adequate for the purposes of our audit have been received from the Company's overseas branch not visited by us;
  - (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, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 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.18 on Schedule 22 regarding non-provision of disputed claim aggregating to Rs.413.29 lacs.*

*Had the impact of above item been considered, the profit for the year would have been Rs. 2670.86 lacs (after adjusting the impact of Rs.413.29 lacs for earlier years) as against the reported profit of Rs.3084.15 lacs and the Profit & Loss Account Debit Balance would have been Rs.4645.13 lacs, as against the reported figure of Rs.4231.84 lacs. Similarly, because of the above, the profit during the previous year ended 31st March 2007 would have been Rs.916.35 lacs as against the reported profit of Rs.1329.64 lacs and the Profit & Loss Account Debit Balance would have been Rs.7729.28 lacs as against the reported figure of Rs.7315.99 lacs.*

5. 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 22, 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, 2008;
  - 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.

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

Place : New Delhi  
May 8, 2008

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, 2008)**

- (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 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.*
- (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.	502.50	1984-2006	Assistant/Deputy/Additional Commissioner, Commissioner, Commissioner (Appeals) and Appellate Tribunal
The Central Sales 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.	5693.43	1989-2004	Deputy/Additional Commissioner, Appellate Deputy Commissioner, Tribunal Benches and Supreme Court
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.	1322.84	1988-2003	Tribunal Bench and Supreme Court
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.	17.75	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 and it has not 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 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	245.62
30 to 90 days	123.64

## HINDUSTAN MOTORS LIMITED

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- (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 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 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 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.

Place : New Delhi  
May 8, 2008

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

**Balance Sheet as at March 31, 2008**

	Schedule	Rupees in lacs	
		March 31, 2008	March 31, 2007
<b>SOURCES OF FUNDS</b>			
A. SHAREHOLDERS' FUNDS			
a. Share Capital	1	16125.68	16125.68
b. Reserves & Surplus	2	1323.36	1528.95
		<u>17449.04</u>	<u>17654.63</u>
B. LOANS	3		
a. Secured		6307.48	12320.77
b. Unsecured		4925.26	6601.80
		<u>11232.74</u>	<u>18922.57</u>
C. DEFERRED PAYMENT LIABILITIES	4	1587.35	655.84
		<u>30269.13</u>	<u>37233.04</u>
<b>APPLICATION OF FUNDS</b>			
A. FIXED ASSETS	5		
a. Gross Block		48602.40	48730.03
b. Less: Accumulated Depreciation / Amortisation		<u>32178.05</u>	<u>30162.74</u>
c. Net Block		16424.35	18567.29
d. Capital work-in-progress		558.06	180.32
		<u>16982.41</u>	<u>18747.61</u>
B. INVESTMENTS	6	<u>7179.72</u>	<u>7061.37</u>
C. CURRENT ASSETS, LOANS & ADVANCES			
a. Inventories	7	8204.76	10276.20
b. Sundry Debtors	8	4562.04	3866.47
c. Cash and Bank Balances	9	1377.52	6326.36
d. Other Current Assets	10	475.48	485.73
e. Loans & Advances	11	4596.29	4600.33
		<u>19216.09</u>	<u>25555.09</u>
D. LESS: CURRENT LIABILITIES & PROVISIONS	12		
a. Current Liabilities		17393.54	20497.82
b. Provisions		868.43	969.03
		<u>18261.97</u>	<u>21466.85</u>
<b>NET CURRENT ASSETS</b>		<u>954.12</u>	<u>4088.24</u>
E. MISCELLANEOUS EXPENDITURE (To the extent not written off/adjusted)	13	<u>921.04</u>	<u>19.83</u>
F. PROFIT & LOSS ACCOUNT DEBIT BALANCE		4231.84	7315.99
		<u>30269.13</u>	<u>37233.04</u>

**ACCOUNTING POLICIES AND NOTES ON ACCOUNTS** 22

Schedules 1 to 13 and 22 referred to above form an integral part of the Balance Sheet

As per our report of even date.

**S.R.Batliboi & Company**

Chartered Accountants

Per **R.K. Agrawal**

a Partner

Membership No.16667

Camp : New Delhi

May 08, 2008

**Yogesh Goenka**  
Chief Financial Officer &  
Company Secretary

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

**C. K. Birla**

Chairman

**R. Santhanam**  
Managing Director



HINDUSTAN MOTORS LIMITED

**Profit & Loss Account for the Year ended March 31, 2008**

	Schedule	2007-2008	Rupees in lacs 2006-2007
<b>INCOME</b>			
Sales & Services	14	85300.76	80637.01
Less: Excise Duty		14951.74	13798.29
Sales Tax & Value Added Tax		<u>4137.57</u>	<u>4132.89</u>
		66211.45	62705.83
Other Income	15	<u>11897.50</u>	<u>8196.39</u>
		<u>78108.95</u>	<u>70902.22</u>
<b>EXPENDITURE</b>			
Decrease / (Increase) in Stocks	16	148.86	(945.03)
Excise duty on Stocks (Refer Note No.12 on Schedule 22)		(116.97)	188.19
Raw Materials and Components Consumed	17	40382.86	41595.84
Purchase of Trading Goods		8514.79	7528.73
Stores & Spares Consumed		1395.66	1613.50
Fuel & Electricity (Net)		1364.85	1615.12
Payments to and Provisions for Employees	18	8540.91	6849.55
Other Expenses	19	9102.23	7111.68
Directors' Remuneration		<u>77.22</u>	<u>69.55</u>
		<u>69410.41</u>	<u>65627.13</u>
<b>PROFIT BEFORE INTEREST, DEPRECIATION &amp; TAXATION</b>		<u>8698.54</u>	<u>5275.09</u>
Interest	20	2002.82	1673.14
Depreciation	21	<u>2114.52</u>	<u>2323.31</u>
		<u>4117.34</u>	<u>3996.45</u>
<b>PROFIT BEFORE TAXATION</b>		<u>4581.20</u>	<u>1278.64</u>
Provision for Taxation			
Current Tax (Including Rs.196.12 lacs for earlier years)		1780.42	285.00
MAT Credit Entitlement (Net)		(113.99)	(395.00)
(Including Rs.113.99 lacs (Rs. Nil) for earlier years)			
Fringe Benefit Tax		65.00	59.00
Excess Tax Provision Written Back		<u>(234.38)</u>	<u>—</u>
		<u>1497.05</u>	<u>(51.00)</u>
<b>PROFIT AFTER TAXATION</b>		<u>3084.15</u>	<u>1329.64</u>
Less: Loss Brought forward from Previous year		<u>7315.99</u>	<u>8645.63</u>
<b>Loss Carried to the Balance Sheet</b>		<u><b>4231.84</b></u>	<u><b>7315.99</b></u>
Earning per share - Basic and Diluted (Rs.)		1.91	0.82
(Refer Note No.16 on Schedule 22)			

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 22

Schedules 14 to 22 referred to above form an integral part of the Profit & Loss Account

As per our report of even date.

**S.R.Batliboi & Company**

Chartered Accountants

Per **R.K. Agrawal**

a Partner

Membership No.16667

Camp : New Delhi

May 08, 2008

**Yogesh Goenka**  
Chief Financial Officer &  
Company 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, 2008**

	Rupees in lacs	
	2007-2008	2006-2007
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES:</b>		
NET PROFIT BEFORE TAXATION	4581.20	1278.64
ADJUSTMENTS FOR:		
Depreciation	2114.52	2323.31
Deferred Revenue Expenditure	480.34	214.58
Interest Expenses (Net)	1762.64	1615.55
Financial Lease Rentals	13.88	10.11
Foreign Exchange Loss (Net)	326.53	163.39
Profit on Fixed Assets Sold/Discarded	(10308.57)	(7342.44)
Dividend Income	(159.83)	(128.88)
<b>OPERATING PROFIT / (LOSS) BEFORE WORKING CAPITAL CHANGES</b>	<b>(1189.29)</b>	<b>(1865.74)</b>
Increase / (Decrease) in Trade Payables	(2021.34)	154.72
Decrease/ (Increase) in Trade & Other Receivables	(2892.30)	1577.44
Decrease/(Increase) in Inventories	2071.44	(1689.42)
<b>CASH GENERATED FROM OPERATIONS</b>	<b>(4031.49)</b>	<b>(1823.00)</b>
Add: Direct Tax Refund received /(Paid) (Net)	(1188.37)	(170.65)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(5219.86)</b>	<b>(1993.65)</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Sale of Fixed Assets	10830.77	7639.10
Dividend Received	159.83	128.88
Interest received from Fixed deposits	188.51	9.01
Purchase of Fixed Assets	(1057.95)	(1501.13)
Repayment of Finance Lease Liability	(13.88)	(10.11)
Investment in Associate & other Companies	(118.35)	(36.50)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>9988.93</b>	<b>6229.25</b>
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net Increase /(Decrease) from other borrowings	(3569.54)	2822.26
Repayment of Long Term Loans	(4124.60)	(0.66)
Interest Paid (Net of Interest Received)	(2023.72)	(1618.10)
Payment to Investor Protection Fund	(0.05)	(0.10)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(9717.91)</b>	<b>1203.40</b>
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	(4948.84)	5439.00
<b>* CASH &amp; CASH EQUIVALENTS - OPENING BALANCE</b>	<b>6326.36</b>	<b>887.36</b>
	1377.52	6326.36
<b>* CASH &amp; CASH EQUIVALENTS - CLOSING BALANCE</b>	<b>1377.52</b>	<b>6326.36</b>

\* Represents Cash and Bank Balances as indicated in Schedule 9.

\*\* Includes Rs. 1.95 lacs (Rs. 2.00 lacs) lying in unpaid Dividend / Debenture interest Account and Rs. 16.55 lacs (Rs.5886.74 lacs) in Fixed Deposits with Banks.

As per our report of even date.

**S.R.Batliboi & Company**

Chartered Accountants

Per **R.K. Agrawal**

a Partner

Membership No.16667

Camp : New Delhi

May 08, 2008

**Yogesh Goenka**  
Chief Financial Officer &  
Company 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, 2008	March 31, 2007
<b>SCHEDULE 1 : SHARE CAPITAL</b>			
<b>Authorised:</b>			
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>
<b>Issued:</b>			
16,15,89,297	Ordinary Shares of Rs.10 each	16158.93	16158.93
<b>Subscribed &amp; Paid-up:</b>			
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>
<b>Note:</b>			
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.			
<b>SCHEDULE 2 : RESERVES &amp; SURPLUS</b>			
<b>CAPITAL RESERVE</b>			
a)	Net Surplus on Revaluation of Fixed Assets		
	As per last account	1193.14	1308.10
	Less: Adjustment towards assets sold	204.52	113.89
	Less: Transfer to Depreciation Account	<u>1.07</u>	<u>1.07</u>
		987.55	1193.14
b)	Others :		
	As per last Account	3.53	3.53
		<u>991.08</u>	<u>1196.67</u>
<b>SECURITIES PREMIUM</b>			
	As per last account	317.28	317.28
<b>CENTRAL SUBSIDY</b>			
	As per last account	15.00	15.00
		<u>1323.36</u>	<u>1528.95</u>
<b>SCHEDULE 3 : LOANS</b>			
<b>SECURED : (Note No.4 on Schedule 22)</b>			
	From Financial Institutions :		
	Term Loans	2515.60	4326.28
	From Scheduled Banks :		
	Term Loans	2395.08	4709.00
	Cash Credits	1391.98	3271.08
	Deferred Payment Credits	—	13.88
	(Secured by assets acquired under Lease)		
	Interest accrued and due	<u>4.82</u>	<u>0.53</u>
		<u>6307.48</u>	<u>12320.77</u>
<b>UNSECURED :</b>			
<b>LONG TERM</b>			
	Sales tax Deferral Credit	4178.98	4178.98
<b>SHORT TERM</b>			
	From Subsidiary Companies	185.00	152.00
	From Other Bodies Corporate	350.00	2100.00
	Security & Other Deposits	211.28	170.82
		<u>746.28</u>	<u>2422.82</u>
		<u>4925.26</u> *	<u>6601.80</u>
		<u>11232.74</u>	<u>18922.57</u>
* Includes Rs.535.00 lacs (Rs.2252.00 lacs) due for payment within one year.			
<b>SCHEDULE 4 : DEFERRED PAYMENT LIABILITIES</b>			
	Payments under Voluntary Retirement Schemes	1587.35 *	655.84
* Includes Rs.431.61 lacs (Rs.253.31 lacs) due for payment within one year.			

**Schedule to the Balance Sheet**

Rupees in lacs

**SCHEDULE 5 : FIXED ASSETS**

DESCRIPTION OF ASSETS	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	As at March 31, 2007	Additions	Sales/ Adjustments	As at March 31, 2008	Upto March 31, 2007	For the Year	Sales/Adjustments Less : On March 31, 2008	Upto March 31, 2008	As at March 31, 2008 As at March 31, 2007
FREE HOLD LAND	1967.37	-	635.13	1332.24	-	-	-	-	1332.24 1967.37
LEASE HOLD LAND	35.83	-	-	35.83	7.32	0.37	-	7.69	28.14 28.51
BUILDINGS	9164.38	38.46	-	9202.84 (a)	4329.26	194.47	-	4523.73	4679.11 4835.12
MACHINERY & EQUIPMENTS	36246.75	401.49	58.23	36590.01	25014.54	1843.48	42.84	26815.18	9774.83 11232.21
FURNITURE & FITTINGS	645.33	45.20	5.01	685.52	476.03	19.40	3.15	492.28	193.24 169.30
VEHICLES	670.37	208.56	128.63	750.30	335.59	56.61	54.29	337.91	412.39 334.78
INTANGIBLE ASSETS	-	5.66	-	5.66	-	1.26	-	1.26	4.40 -
CAPITAL WORK IN PROGRESS	48730.03	699.37 (b)	827.00	48602.40	30162.74	2115.59	100.28	32178.05	16424.35 18567.29
<b>TOTAL</b>	<b>48910.35</b>	<b>1240.04</b>	<b>989.93 (c)</b>	<b>49160.46 (e)</b>	<b>30162.74</b>	<b>2115.59</b>	<b>100.28</b>	<b>32178.05</b>	<b>16982.41</b> <b>18747.61</b>
<b>PREVIOUS YEAR'S TOTAL</b>	<b>47985.45</b>	<b>1557.74</b>	<b>632.84</b>	<b>48910.35</b>	<b>28027.76</b>	<b>2324.38</b>	<b>189.40</b>	<b>30162.74</b>	<b>18747.61</b>

## NOTES:

- Includes Rs. 4.50 Lacs (Rs. 4.50 Lacs) being the value of shares in Co-operative Housing Societies.
- Includes Capital Expenditure on Scientific Research Rs.34.02 Lacs (Rs. 13.20 Lacs).
- Includes Rs. Nil (Rs. 24.58 Lacs) being the value of assets discarded
- Includes Materials at site, in transit and Assets not brought into use.
- Includes proportionate cost of a part of Building (on leasehold land) and Other Assets amounting to Rs. 77.89 Lacs (Rs. 77.85 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.
- Land & Buildings of Uttarpara Unit were revalued during the year ended 31.03.84 and the resulting Surplus thereon, was transferred to Revaluation Reserve.

**Schedule to the Balance Sheet**

			Rupees in lacs	
			March 31,2008	March 31,2007
<b>SCHEDULE 6 : INVESTMENTS (At Cost)</b>	<b>Number of Shares</b>	<b>Face Value Per Share Rs.</b>		
<b>LONG TERM (OTHER THAN TRADE)(FULLY PAID)</b>				
<b>* GOVERNMENT SECURITIES (UNQUOTED):</b>				
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>
<b>QUOTED</b>				
<b>ORDINARY SHARES</b>				
Hyderabad Industries Ltd.	122188	10	<u>73.31</u>	<u>73.31</u>
<b>UNQUOTED</b>				
<b>ORDINARY SHARES</b>				
Birla Buildings Ltd.	30000	10	3.00	3.00
AVTEC Ltd.	12250000	10	6909.96	6909.96
(a company under the same management)				
Pithampur Auto Cluster Ltd.	50000	10	5.00	5.00
			<u>6917.96</u>	<u>6917.96</u>
			<u>6991.27</u>	<u>6991.27</u>
<b>UNQUOTED SHARES IN SUBSIDIARY COMPANIES:</b>				
<b>ORDINARY SHARES</b>				
Hindustan Motor Finance Corporation Ltd.	250000	10	25.05	25.05
HM Export Ltd.	50000	10	0.21	0.21
Hindustan Motors Ltd.	100000	\$ 4	163.09 **	44.74
(Incorporated in state of Delaware, USA)		(\$ 1)		
			<u>188.35</u>	<u>70.00</u>
			<u>7179.72</u>	<u>7061.37</u>
<b>AGGREGATE VALUE OF INVESTMENTS :</b>			<b>Market Cost</b>	<b>Market Value</b>
Quoted			73.31	175.03
Unquoted			7106.41	6988.06
			<u>7179.72</u>	<u>7061.37</u>

\* 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 31,2008	March 31,2007
<b>SCHEDULE 7 : INVENTORIES</b>		
At lower of cost and net realisable value		
Stores & Spares	196.55	179.58
Loose Tools	119.57	126.64
Raw Materials and Components	4272.35	6204.83
Goods under process	1414.76	1467.18
Finished Goods	721.84	1351.57
Trading Goods	1479.69	946.40
	<u>8204.76 *</u>	<u>10276.20</u>

\* Includes materials lying with third parties / in Bond and in transit Rs.2430.66 lacs (Rs.3336.75 lacs)

## SCHEDULE 8 : SUNDRY DEBTORS

### Considered good except otherwise stated :

(a) Debts outstanding for a period exceeding six months :

Secured	24.85	23.23
Unsecured *	<u>240.99</u>	<u>1214.92</u>
	<u>265.84</u>	<u>1238.15</u>

(b) Other Debts :

Secured	30.34	23.36
Unsecured	<u>4388.72</u>	<u>3233.96</u>
	<u>4419.06</u>	<u>3257.32</u>
	<u>4684.90 **</u>	<u>4495.47</u>
Less: Provision for doubtful debts	<u>122.86</u>	<u>629.00</u>
	<u>4562.04</u>	<u>3866.47</u>

\* Includes due from a subsidiary company Rs.9.37 lacs (Rs.90.74 lacs).

\*\* Includes considered doubtful Rs.122.86 lacs (Rs.1035.96 lacs)

## SCHEDULE 9 : CASH & BANK BALANCES

Cash-on-hand	12.75	19.98
Remittances in transit	1115.39	356.82
With Scheduled Banks on :		
Fixed Deposit Account	8.21	5790.05
Current Account	230.88	60.82
Margin Deposit Account	8.34	96.69
Unpaid Dividend / Interest Accounts	<u>1.95</u>	<u>2.00</u>
	<u>1377.52</u>	<u>6326.36</u>

## SCHEDULE 10 : OTHER CURRENT ASSETS

### Unsecured :

Considered good except otherwise stated :

Interest accrued on Deposits	2.28	4.87
Export Incentives receivable	8.66	17.56
Insurance & Other Claims receivable	<u>474.65</u>	<u>473.41</u>
	<u>485.59 *</u>	<u>495.84</u>
Less: Provision for doubtful claims	<u>10.11</u>	<u>10.11</u>
	<u>475.48</u>	<u>485.73</u>

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

**Schedules to the Balance Sheet**

	Rupees in lacs	
	March 31,2008	March 31,2007
<b>SCHEDULE 11 : LOANS &amp; ADVANCES</b>		
<b>Unsecured :</b>		
<b>Considered good except otherwise stated :</b>		
Advances against Capital Contracts	31.61	136.98
Other advances recoverable in cash or in kind or for value to be received or pending adjustments *	1635.95	802.11
Loans / Advances to Officers **	2.26	6.21
Balance with Customs, Port Trust & Other Government Departments	327.90	538.28
Sales Tax, VAT and other refunds receivable	2235.39	2280.71
MAT Credit entitlement	—	395.00
Deposits with Government Departments & Others	646.06	614.88
	4879.17 ***	4774.17
Less: Provision for doubtful advances	282.88	173.84
	4596.29	4600.33
* Includes due from a subsidiary company Rs.85.07 lacs (Rs.83.43 lacs).		
** Maximum amount due from officers at any time during the year Rs.7.87 lacs (Rs.12.21 lacs)		
*** Includes considered doubtful Rs.282.88 lacs (Rs.243.45 lacs).		
<b>SCHEDULE 12 : CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A. CURRENT LIABILITIES</b>		
Acceptances	2710.16	3987.34
Sundry Creditors for goods, services, expenses etc.		
Due to Micro & Small Enterprises	1105.12	2642.30
Due to Others	10812.49 *	10589.20
(Refer Note No.19 on Schedule 22)		
Advances against Sales/Orders	980.13	1419.62
Investor Education and Protection Fund **		
Unpaid Dividend	1.95	1.95
Interest accrued	—	0.05
Other Liabilities	1761.98	1756.21
Interest accrued but not due:		
On Secured Loans	21.38	92.63
On Unsecured Loans	0.33	8.52
	17393.54 ***	20497.82
* Includes Rs.1091.52 lacs (Rs.577.79 lacs) due to AVTEC Limited (a company under same management).		
** Amount not yet due for deposit.		
***Includes due to subsidiary companies Rs.12.64 lacs (Rs.26.33 lacs).		
<b>B. PROVISIONS</b>		
Warranties	234.09	298.73
Leave Liability	421.09	370.72
Taxation (Net of advance payment, tax at source etc.)	213.25	299.58
	868.43	969.03
	18261.97	21466.85
<b>SCHEDULE 13 : MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off / adjusted)		
<b>DEFERRED REVENUE EXPENDITURE :</b>		
Payments under Voluntary Retirement Schemes	921.04	19.83
	921.04	19.83

**Schedules to the Profit & Loss Account**

	Rupees in lacs	
	2007-2008	2006-2007
<b>SCHEDULE 14 : SALES &amp; SERVICES</b>		
Finished Goods [including items capitalised Rs.22.81 lacs (Rs.41.41 lacs)]	71654.76	68079.86
Trading Goods		
Vehicles	6786.83	5954.28
Service Parts (including own manufactured)	6328.21	5823.10
Others	530.96	779.77
	<u>85300.76 *</u>	<u>80637.01</u>
* Includes Rs.55.20 lacs (Rs.211.64 lacs) to subsidiary companies.		
<b>SCHEDULE 15 : OTHER INCOME</b>		
Dividend on Long Term Investments (Non Trade)	159.83	128.88
Interest on Debts, Deposits, Advances etc. [Tax at source Rs.16.33 lacs (Rs.0.61 lacs)]	240.18	57.59
Insurance & Other Claims	21.04	10.91
Rent & Hire Charges	27.05	34.82
Miscellaneous Income	127.03	82.78
Items pertaining to previous years (Net)	—	9.08
Unspent Liabilities and Provisions no longer required written back	1013.80	529.89
Net surplus on fixed assets sold/discarded. (Refer Note No.13 on Schedule 22)	10308.57	7342.44
	<u>11897.50</u>	<u>8196.39</u>
<b>SCHEDULE 16 : DECREASE / (INCREASE) IN STOCKS</b>		
Closing Stock:		
Goods under Process	1414.76	1467.18
Finished Goods	721.84	1351.57
Trading Goods	1479.69	946.40
	<u>3616.29</u>	<u>3765.15</u>
Less: Opening Stock:		
Goods under Process	1467.18	892.54
Finished Goods	1351.57	1311.10
Trading Goods	946.40	616.48
	<u>3765.15</u>	<u>2820.12</u>
	<u>148.86</u>	<u>(945.03)</u>
<b>SCHEDULE 17 : RAW MATERIALS AND COMPONENTS CONSUMED</b>		
Opening Stock	6204.83	5353.02
Add: Purchases	38460.23	42515.09
	<u>44665.06</u>	<u>47868.11</u>
Less: Transferred to Fixed Assets & Other Accounts	4.59	2.34
Sales	5.26	65.10
Closing Stock	4272.35	6204.83
	<u>4282.20</u>	<u>6272.27</u>
	<u>40382.86</u>	<u>41595.84</u>
<b>SCHEDULE 18 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
Salaries, Wages & Bonus	6249.22	5706.61
Contribution to Provident, Gratuity & Other Funds	1860.55	722.43
Welfare Expenses	431.14	420.51
	<u>8540.91</u>	<u>6849.55</u>



**Schedules to the Profit & Loss Account**

	Rupees in lacs	
	2007-2008	2006-2007
<b>SCHEDULE 19 : OTHER EXPENSES</b>		
Rent & Hire Charges	167.21	137.14
Building Repairs	96.90	55.67
Machinery Repairs	318.48	239.63
Insurance	124.41	151.38
Rates & Taxes	151.21	511.28
Royalty (Refer Note No. 21 on Schedule 22)	498.19	—
Selling Expenses, Service Charges, Claims etc. (Net)	3107.01	2551.34
Delivery Charges, Freight & Transportation etc. Net)	224.33	541.64
Miscellaneous Expenses	2315.32	2313.96
Exchange Rate Difference (Net)	326.53	163.39
Directors' Travelling	50.40	33.79
Auditors' Remuneration:		
As Auditors	20.00	20.00
Other Services for issuing various certificates	28.32	32.27
(Including Rs.12.00 lacs (Rs.12.00 lacs) for Limited review of accounts).		
Reimbursement of Service Tax, Travelling and other expenses	1.35	1.87
Cost Auditor's Remuneration	1.30	1.05
Deferred Revenue expenditure written off	480.34	214.58
Cash Discount	0.13	10.26
Items pertaining to previous years (Net)	18.11	—
Turn over and other Taxes	41.40	85.98
Provision for Doubtful debts, Claims & Advances	224.40	34.95
Irrecoverable Debts, Claims & Advances written off	906.89	11.50
	<u>9102.23</u>	<u>7111.68</u>
<b>SCHEDULE 20 : INTEREST</b>		
On Fixed Loans & Deposits	1103.55 *	983.55
To Banks & Others	899.27 **	689.59
	<u>2002.82</u>	<u>1673.14</u>
* Includes Rs.15.38 lacs (Rs.15.49 lacs) to subsidiary companies.		
** Refer Note No. 8 on Schedule 22.		
<b>SCHEDULE 21 : DEPRECIATION</b>		
On Fixed Assets	2115.59	2324.38
Less: Transfer from Capital Reserve being additional		
Depreciation on revalued Fixed Assets	1.07	1.07
	<u>2114.52</u>	<u>2323.31</u>

## Schedule to the Balance Sheet and Profit & Loss Account

### SCHEDULE 22: ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### 1. ACCOUNTING POLICIES:

##### (I) Basis of Preparation :

The financial statements have been prepared to comply in all material aspect with the Notified Accounting Standard by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. Except otherwise mentioned, the accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

##### (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.

## **Schedule to the Balance Sheet and Profit & Loss Account**

**(d) Forward Exchange contracts :**

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.

**(V) 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 fixed assets added/disposed off during the year, is provided on pro-rata basis with reference to the month of addition/disposal.
- (g) In case of impairment, if any, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

**(VI) 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.

**(VII) Intangibles :**

Acquired Computer software and licenses are capitalized on the basis of costs incurred to bring the specific intangibles to its intended use. These costs are amortized over their estimated useful life of three years.

**(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.

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**Schedule 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.
- (c) Net realisable value is the selling price in the ordinary course of business, less costs of completion and costs necessary to make the sale.

**(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 Cost :**

Research cost 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. The actuarial valuation is done on Projected Unit Credit method. Actuarial gains 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 and are written off in such equal annual installments that expenditure so deferred, are not carried forward to accounting periods commencing on or after 1st April, 2010.

**(XIII) Expenses relating to Shares / Debentures :**

Shares / Debentures issue expenses ( including premium on redemption thereof ) 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.

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## Schedule 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 Act, 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 assets 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) Earnings per share :**

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

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

## Schedule to the Balance Sheet and Profit & Loss Account

### (XXI) Deferred Revenue Expenditure :

Deferred revenue expenditure are written off in such equal annual installments that expenditure so deferred, are not carried forward to accounting period commencing on or after 1st April, 2010.

	Rupees in lacs	
	March 31, 2008	March 31, 2007
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances).	177.71	495.04
3. Contingent Liabilities not provided for in respect of:		
(a) Claims & Government demands against the Company not acknowledged as debts.		
i) Excise Duty	5425.48	2092.44
ii) Sales Tax	9224.28	681.81
iii) Customs Duty	395.77	482.93
iv) Others	1143.69	1287.94
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. 353.87 lacs (Rs. 373.24 lacs) .		
Included in the above are contingent liabilities to the extent of Rs.1647.55 lacs (Rs.1084.79 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.1155.55 lacs (Rs. 504.24 lacs) are covered by counter guarantees of the customers.		
(b) Outstanding Bank Guarantees for import of materials and other accounts.	41.79	72.61
(c) Duty on import of Capital goods under Export Promotion Capital Goods Scheme is Rs.14.33 lacs (Rs.11.46 lacs ) .		
(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). However majority of the employee's unions have filed joint petition for withdrawal of the case.		
4. (a) Term Loans Rs. 4910.68 lacs (Rs. 9035.28 lacs) from the Financial Institutions and Banks together with interest and other charges thereon, are secured by a mortgage of 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 facilities from Banks Rs.1396.80 lacs (Rs.3271.61 lacs), together with interest and other charges thereon, are secured by a mortgage of 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 unit 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.		

## Schedule to the Balance Sheet and Profit & Loss Account

6. In terms of accounting policy disclosed vide Note No.1 (XVI) (b) above, Net Deferred Tax Asset of Rs.3523.97 lacs (Rs.2933.24 lacs) arising on account of carried forward unabsorbed business losses has not been recognized in the accounts.

7. Total Derivative contracts in respect of cross currency forward covers of JPY 5040 lacs (USD 51.17 lacs) & JPY 2000 lacs (Euro 12.73 lacs) are outstanding at the balance sheet date.

In view of the recent announcement made by The Institute of Chartered Accountants of India (ICAI) on "Accounting for Derivatives" there is a net gain of Rs. 44.12 lacs in respect of all such outstanding derivative contracts (by marking them to market) as on the balance sheet date which has not been recognized by the Company as a matter of prudence.

The Company has the following unhedged exposures in various foreign currencies as at the year end :

Sr.No.	Particulars	Rupees in lacs	
		As at 31st March,2008	As at 31st March,2007
	(i) Trade Receivables	9.37	90.74
	(ii) Advances	85.07	83.43
	(iii) Trade Payable and Advance from Customers	657.94	1271.33
	(iv) Investment	163.09	44.74

8. Interest includes Rs. 262.57 lacs being the amount payable to Mitsubishi Motors Corporation, Japan (MMC) for delay in payment of Royalty & Technical Assistance Fees etc.for the period from 30th May, 2002 to 31st March, 2007.
9. Finance Lease agreement for assets valuing Rs. 45.11 lacs has already expired. However these assets are yet to be transferred to the Company by the lessor pending compliance of necessary formalities.
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 inventories.
13. In terms of a Development Agreement entered by the Company, the Company has duly transferred land measuring 126.90 acres (61.509 acres) at Hindmotor by handing over physical possession thereof against payment to the developer, and profit of Rs 10320.10 lacs (Rs.5574.64 lacs) thereon has been included under the head "Other Income" in Schedule 15.

In terms of the said agreement, the Company will transfer further 125.591 acres land in 2 lots in the future periods at predetermined rates, over a period of next 12 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.

14. Based on breakup value as per the last audited accounts, there is a shortfall of Rs. 163.09 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.



**Schedule to the Balance Sheet and Profit & Loss Account**

		Rupees in lacs	
		2007-08	2006-07
15. (a) <u>Managing Director's Remuneration :</u>			
Salary, Allowances etc.		49.48	43.72
Contribution to Provident and Other Funds		7.78	6.80
Others		13.06	13.53
		<u>70.32</u>	<u>64.05</u>
(b) Directors' Fees		6.90	5.50
<b>Total</b>		<b><u>77.22</u></b>	<b><u>69.55</u></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.

16. Earnings per Share (EPS)

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

	2007-08	2006-07
Profit after taxation as per accounts (Rs. in lacs)	3084.15	1329.64
Weighted average No. of Equity Shares outstanding during the year	161171993	161171993
Nominal value of Shares (Rs.)	10	10
Basic and Diluted EPS (Rs.)	1.91	0.82

## 17. The movements in Provisions for Warranties during the year are as follows: Rupees in lacs

Provisions	Balance as at 31.03.2007	Additions	Amount utilised	Amount written back	Balance as at 31.03.2008
Warranties	298.73	204.10	168.51	100.23	234.09

18. Disputed insurance claim of Rs. 413.29 lacs (Rs. 413.29 lacs) has not been provided for, pending final settlement of the relevant matters. However, the Company is hopeful to recover the above claim.

19. 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:

		Rupees in lacs	
		2007-2008	2006-2007
(i) Principal amount remaining unpaid to any supplier at the end of accounting year.		1105.12	2642.30
(ii) Interest due on above		26.22	120.25
<b>Total of (i) &amp; (ii)</b>		<b>1131.34</b>	<b>2762.55</b>
(iii) Amount of interest paid by the Company to the suppliers		200.51	-
(iv) Amounts paid to the suppliers beyond the respective due date		3547.39	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		-	-
(vi) Amount of interest accrued and remaining unpaid at the end of accounting year.		202.77	120.25
(vii) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of this Act.		-	-



## Schedule to the Balance Sheet and Profit & Loss Account

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

	Rupees in lacs	
	<u>2007-08</u>	<u>2006-07</u>
<b>A. Defined Contribution Plan</b>		
Contribution to Provident Fund	507.93	482.14
Contribution to Super Annuation Fund	60.29	70.35

#### 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. The following table summarises the components of net benefit expenses recognised in profit & loss account and the funded status and amount recognised in the balance sheet for the respective plan.

	Rupees in lacs	
<u>Sl. Particulars</u>	<u>2007-08</u>	<u>2006-07</u>
<b><u>Gratuity</u></b>		
<b>I Net Employee Expense/(benefit)</b>		
1 Current Service Cost	143.08	107.86
2 Interest cost on benefit obligation	151.29	195.68
3 Expected Return on plan assets	(86.62)	(79.10)
4 Net Actuarial gain / (loss) recognised in the year	1055.01	(94.59)
5 Total employee expenses recognised in Profit & Loss Account	1262.76	129.85
<b>II Actual return on plan assets</b>	104.63	90.21
<b>III Benefit Asset/(Liability)</b>		
1 Defined benefit obligation	2838.39	2313.89
2 Fair Value of Plan Assets	1257.35	1082.79
3 Benefit Asset/(Liability)	(1,581.04)	(1,231.10)
<b>IV Movement in benefit liability</b>		
1 Opening defined benefit obligation	2313.89	2509.90
2 Interest cost	151.29	195.68
3 Current Service Cost	143.08	107.86
4 Benefits paid	(845.47)	(415.56)
5 Actuarial ( gains ) / losses on obligation	1075.60	(83.99)
6 Closing benefit obligation	2838.39	2313.89
<b>V Movement in fair value of plan assets</b>		
1 Opening fair value of plan assets	1082.79	1118.10
2 Return on plan assets(actual)	104.63	90.21
3 Contribution by employer	724.00	290.04
4 Benefits paid	(654.07)	(415.56)
5 Closing fair value of plan assets	1257.35	1082.79

**Schedule to the Balance Sheet and Profit & Loss Account**

<u>Sl. Particulars</u>	Rupees in lacs	
	<u>2007-08</u>	<u>2006-07</u>
<b>VI The Principal actuarial assumptions are as follows</b>		
1 Discount Rate	8.00%	8.50%
2 Salary increase	4.50%	3.50%
3 Withdrawal Rate		
Varying between 2% & 1% per annum depending upon duration and age of the employees.		
4 Expected rate of return on Plan assets	8.00%	8.00%
<b>VII The major categories of Plan Assets as a percentage of fair value of the total plan assets.</b>		
Investment with Insurer	100%	100%
<b>VIII Amounts for the current and previous year are as follows.</b>		
1. Defined benefit obligation	2838.39	2313.89
2. Plan Assets	1257.35	1082.79
3. Surplus/(Deficit)	(1,581.04)	(1,231.10)
4. Experience adjustments on Plan Assets	Not Applicable	Not Applicable
5. Experience adjustments on Plan Liabilities.	Not Applicable	Not Applicable

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) The information in respect of defined benefit obligation prior to 2006-07 is not available and hence not furnished.

c) The Company expects to contribute Rs. 136.00 lacs to Gratuity fund in 2008-2009.

21. The License and Technical Assistance Agreement with Mitsubishi Motors Corporation, Japan (MMC) which expired in September 2005 has been amended with retrospective effect during the year, to renew the terms upto December 2010. Consequently, royalty of Rs 308.40 lacs payable to MMC for the period from October 2005 to March 2007 has been accounted for during the year.

**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

**Schedule to the Balance Sheet and Profit & Loss Account**

(b) Aggregated Related Party Disclosures as at and for the year ended March 31, 2008 are as follows.(Transactions have taken place on arm's length basis) \*

Rupees in lacs

	Subsidiary Companies			Associate Company	Total
	HML, U.S.A.	HM Finance Corporation Ltd	HM Export Ltd	AVTEC Ltd.	
Sales	30.38 (77.60)	- (-)	24.82 (134.04)	647.77 (1,483.84)	702.97 (1695.48)
Purchase	- (-)	- (-)	- (-)	7987.81 (8,380.50)	7987.81 (8380.50)
Interest ( Net )	- (-)	4.28 (4.31)	11.10 (11.18)	87.83 (26.98)	103.21 (42.47)
Intercompany Loans taken and due	- (-)	55.00 (42.00)	130.00 (110.00)	- (-)	185.00 (152.00)
Debtors, Loans & Advances	94.44 (174.17)	- (-)	- (-)	- (-)	94.44 (174.17)
Creditors & Other Payables	10.98 (11.83)	- (-)	1.66 (14.50)	1091.52 (577.79)	1104.16 (604.12)
Purchase of Investment	118.35 (-)	- (-)	- (-)	- (31.50)	118.35 (31.50)
Investment	163.09 (44.74)	25.05 (25.05)	0.21 (0.21)	6909.96 (6909.96)	7098.31 (6979.96)
Item pertaining to previous year(Net)	- (-)	- (-)	- (-)	0.37 (-11.50)	0.37 (-11.50)
Misc. Expenses	- (-)	- (-)	- (-)	22.00 (8.72)	22.00 (8.72)
Rent & Hire charges	- (-)	- (-)	- (-)	12.06 (10.72)	12.06 (10.72)
Dividend received	- (-)	- (-)	- (-)	153.12 (122.17)	153.12 (122.17)

\* Excludes Rs.70.32 lacs (Rs.64.05 lacs) being remuneration to the Managing Director as disclosed vide Note No.15 (a) above.

**Schedule to the Balance Sheet and Profit & Loss Account**

23. The Company's segment information as at and for the year ended March 31, 2008 are as below :-

	Automobiles	Rupees in lacs Others	Total
<b>(a) Revenue *</b>			
External Net Sales	66179.95	31.50	66211.45
	(62610.14)	(95.69)	(62705.83)
<b>(b) Results</b>			
Segment Results	6800.66	-165.77	6634.89
	(3055.72)	(-115.00)	(2940.72)
Unallocated Expenses net of unallocated income			-50.87
			(11.06)
Profit			6584.02
			(2951.78)
Interest Expenses			2002.82
			(1673.14)
Provision for Current Tax			1780.42
			(285.00)
Mat Credit Entitlement			-113.99
			(-395.00)
Fringe Benefit Tax			65.00
			(59.00)
Excess Provision for Taxation net of written back			-234.38
			(-)
<b>Net Profit / Loss</b>			<b>3084.15</b>
			(1,329.64)
<b>(c) Total Assets</b>			
Segment Assets	36543.51	125.87	36669.38
	(42660.94)	(220.04)	(42880.98)
Unallocated Corporate Assets			7629.88
			(8502.92)
			<b>44299.26</b>
			<b>(51383.90)</b>
<b>(d) Total Liabilities</b>			
Segment Liabilities	19746.14	29.05	19775.19
	(20935.44)	(47.14)	(20982.58)
Unallocated Corporate Liabilities (including Loans)			11306.87
			(20062.68)
			<b>31082.06</b>
			<b>(41045.26)</b>
<b>(e) Other Information</b>			
(i) Non cash expenses included in	480.34	-	480.34
segment expenses for arriving at	(214.58)	(-)	(214.58)
Segment Results (Deferred Revenue			
Expenses written off).			

**Schedule to the Balance Sheet and Profit & Loss Account**

Rupees in lacs

(ii)	<b>Capital Expenditure</b>		<b>Depreciation</b>	
	<u>2007-08</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2006-07</u>
Automobiles	1076.68	1524.84	2098.55	2307.26
Others	0.43	-	15.97	16.05
	<u>1077.11</u>	<u>1524.84</u>	<u>2114.52</u>	<u>2323.31</u>
<b>(f) Geographical Segments</b>				
<b>Revenue *</b>			<u>2007-08</u>	<u>2006-07</u>
India			66179.53	62395.58
Overseas			31.92	310.25
			<u>66211.45</u>	<u>62705.83</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 segment :  
Automobiles - Consists of manufacture and sale of Passenger Cars, Utility Vehicles 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 cost (Rupees in lacs)

	<b>Capital Expenditure</b>		<b>Revenue Expenditure</b>	
HINDMOTOR UNIT *	20.71	(8.74)	137.07	(169.93)
INDORE UNIT (RTV)	13.31	(4.46)	13.53	(17.36)
	34.02	(13.20)	150.60	(187.29)

\* Approved Centres

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

Rupees in lacs

<u>EXPENSES</u>	<u>2007-08</u>	<u>2006-07</u>
Raw Materials and Components	21.75	38.27
Stores and Spares	90.55	86.17
Building Repairs	0.50	0.34
Machinery Repairs	116.49	107.35
Selling Expenses, Service Charges, Claims etc.	0.39	9.00
Interest	0.00	0.32

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

**Schedule to the Balance Sheet and Profit & Loss Account**

26. C.I.F. Value of Imports during the period :

		Rupees in lacs	
		<u>2007-08</u>	<u>2006-07</u>
(i)	Raw Materials	37.27	143.92
(ii)	Components and Spare Parts	19623.44	14799.29
(iii)	Capital Goods	50.60	10.23
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	483.36	2.20
(ii)	Interest	277.21	13.19
(iii)	Other matters	17.59	108.72
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].	31.70	309.96
(ii)	For Incentive & subsidy for advertisement [to the extent credited to Profit & Loss Account].	5.23	-
(iii)	For Insurance, warranty claims & other [to the extent credited to Profit & Loss Account].	5.24	-
29.	Details of Raw Materials and Components consumed (including unserviceable and/or damaged items written down and/or written off) :		

		Rupees in lacs	
		<u>2007-08</u>	<u>2006-07</u>
		Amount	Amount
Unit	Qty.	Qty.	Qty.
Steel Sheets, Plates & Flats	M/T	4551	6192
Bars, Billets, Channels & Angles	M/T	1723	3551
Pig Iron & Scrap	M/T	705	1761
Non-Ferrous Metal	M/T	14	22
Tyres & Tubes	Pcs.	60559	69178
Other Production Stores and Components (including processing charges)		36999.25	36750.36
		<u>40382.86</u>	<u>41595.84</u>
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			
	2007-08		2006-07		2007-08		2006-07	
	Rs(lacs)	%	Rs(lacs)	%	Rs(lacs)	%	Rs(lacs)	%
Indigenous	25159.92	62	29784.91	72	1473.64	99	1684.62	99
Imported :								
a) CIF Value (Approx.)	13706.68	34	10514.80	25	10.42	1	12.29	1
b) Duty, Port Charges, Transport etc.(Approx.)	1538.01	4	1334.40	3	2.15	-	2.76	-
	15244.69	38	11849.20	28	12.57	1	15.05	1
	40404.61	100	41634.11	100	1486.21	100	1699.67	100

**Schedule 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)	12264	341	1221.13	124	578.87	12481	70394.37
2. Steel Products (c)	Tonnes	18000	(13663)	(225)	(1088.38)	(341)	(1221.13)	(13547)	(65572.12)
			4502 (d)	-	10.51	-	96.89	-	1260.39
			(6368)	(-)	(51.28)	(-)	(10.51)	(-)	(2507.74)
3. Manufactured Components & Service Parts for Sale	Rs.(lacs)	-	857.81 (e)	-	119.93	-	46.08	-	- (f)
			(1086.51)		(171.44)		(119.93)	(-)	(-)
Total					1351.57		721.84		71654.76
					(1311.10)		(1351.57)		(68079.86)
4. Purchase of Vehicles for Trading	Nos.		239	-	-	6	464.38	233	6786.83
			(228)	(-)	(-)	(-)	(-)	(228)	(5954.28)
5. Boughtout Components & Service parts for sale	Rs.(lacs)	-	3263.38		946.40		1015.31		6328.21 (f)
			(3290.88)		(616.47)		(946.40)		(5823.10)
6. Others (including semi-finished goods)	Rs.(lacs)								530.96
									(779.77)
									85300.76
						<b>Total</b>			<b>(80637.01)</b>

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## Schedule 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. 948.39 lacs (Rs 848.83 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 31.03.2007 and 31.03.2008 are identical. Further, licensed capacity has not been given above in view of the delicensing of various products.
32. Previous year's figures (including those which are in brackets) have been regrouped / rearranged wherever necessary.

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### Signatures to Schedules 1 to 22

As per our report of even date.

**S.R.Batliboi & Company**  
*Chartered Accountants*  
Per **R.K. Agrawal**  
*a Partner*  
Membership No.16667  
Camp : New Delhi  
May 08, 2008

**Yogesh Goenka**  
*Chief Financial Officer &  
Company Secretary*

As Approved,  
For and on behalf of the Board of Directors  
**C. K. Birla**  
*Chairman*  
  
**R. Santhanam**  
*Managing Director*



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**INFORMATION PURSUANT TO PART IV OF  
SCHEDULE VI TO THE COMPANIES ACT, 1956.**
**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

<b>I. Registration Details</b>			
Registration No.	18967	State Code	21
Balance Sheet Date	31.03.2008		
<b>II. Capital raised during the year</b> (Amount in Rs. thousands)			
Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
<b>III. Position of Mobilisation and Deployment of Funds</b> (Amount in Rs. thousands)			
Total Liabilities	3026913	Total Assets	3026913
<b>Sources of Funds</b>			
Paid up Capital	1612568	Reserves & Surplus	132336
Secured Loans	630748	Unsecured Loans	492526
Deferred Payment Liabilities	158735		
<b>Application of Funds</b>			
Net Fixed Assets	1698241	Investments	717972
Net Current Assets	95412	Misc. Expenditure	92104
Accumulated Losses	423184		
<b>IV. Performance of the Company</b> (Amount in Rs. thousands)			
Turnover	7810895*	Total Expenditure	7352775
Profit before Tax	458120	Profit after Tax	308415
Earnings per Share (Basic & Diluted)	1.91	Dividend rate %	Nil
* Including Other Income.			
<b>V. Generic Names of Three Principal Products of Company</b>			
<b>Item Code No. (ITC Code)</b>	<b>Product Description</b>		
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' Profits 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 31-3-2008	Profit Rs.24,43,336	Profit Rs.9,36,886	Loss Rs.45,67,146
ii) For the previous financial years, since these companies became subsidiaries	Profit Rs.26,56,052	Profit Rs.1,58,25,706	Loss Rs.2,03,88,828

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

**C. K. Birla**  
*Chairman*

**Yogesh Goenka**  
*Chief Financial Officer &  
Company Secretary*

**R. Santhanam**  
*Managing Director*

New Delhi  
8th May, 2008

## 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, 2008.

During the year under review the revenue account reflects a profit of Rs.24,43,336/- after providing Rs.423/- for depreciation, Rs.23,656/- for Fringe Benefit Tax and adjusting Rs.6,844/- towards excess provision for Fringe Benefit Tax. After taking into account the credit balance in the Profit and Loss Account of Rs.20,58,399/- brought forward from the previous year and after current year's profit amounting to Rs.24,43,336/- there remains a surplus of Rs.45,01,735/- which is proposed to be carried forward.

During the year under review, 14 vehicles had been bullet proofed and we expect similar performance 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, 2008, 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 Manoj Prasad Shaw, 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 resigned from the Board w.e.f. 10th September, 2007. The Board places on record its appreciation of the valuable services rendered by Shri Pareek during his tenure as Director of the Company.

Shri Y. Goenka was appointed as Director w.e.f. 10th September, 2007 to fill in the casual vacancy caused by the resignation of Shri G. N. Pareek.

Shri U. C. Tiwari 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 reappointment.

9/1 R. N. Mukherjee Road  
Kolkata – 700 001, 6th May, 2008

**S. P. Singhi**  
**U. C. Tiwari**  
*DIRECTORS*

## **COMPLIANCE CERTIFICATE**

UNDER RULE 3 OF THE COMPANY (COMPLIANCE CERTIFICATE) RULES, 2001.

To

The Members

HINDUSTAN MOTOR FINANCE CORPORATION LIMITED

"BIRLA BUILDING" 10TH FLOOR,

9/1, R.N.MUKHERJEE ROAD,

KOLKATA-700 001

I have examined the registers, records, books and papers of M/s HINDUSTAN MOTOR FINANCE CORPORATION LIMITED 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, 2008. In my opinion and to the best of my information and according to the examination carried out by me and explanation furnished to me by the Company and its officers, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per provisions and rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, West Bengal under the Companies Act and rules made thereunder.
3. The Company being Public Limited Company, hence comments are not required.
4. The Board of Directors duly met 5 times respectively on, 28.05.2007, 10.08.2007, 10.09.2007, 07.12.2007, and 17.03.2008 in respect of such Meetings proper notices were given and proceedings were properly recorded and signed in Minutes book maintained for the purpose. No circular resolutions were passed during the year under review.
5. The Company has not closed its Register of Members or Debenture holders during the financial year.
6. The Annual General Meeting for the financial year ended 31.03.2007 was held on 20th June, 2007, after giving due notice to the members of the Company and resolution passed thereat have been duly recorded in Minutes book maintained for the purpose.
7. No Extraordinary General Meeting was held during the financial year.
8. The Company has not made any loan to its Directors or Persons or Firms or Companies referred to U/s 295 of the Act.
9. The Company has not entered into any Contracts falling within the purview of Section 297 of the Act.
10. The Company has made necessary entries in the registers maintained U/s 301 of the Act.
11. As there were no instance falling within the purview of Sec 314 of the Act, the Company has not obtained any approval from the Board of Directors, Members or Central Government, as the case may be.
12. The Company has not issued any duplicate Share Certificate during the financial year.
13. The Company:
  - i. has neither allotted any securities nor effected any transfer/transmission of shares during the financial year.
  - ii. has not deposited any amount in separate Bank Account as no Dividend was declared during the financial year.

## HINDUSTAN MOTOR FINANCE CORPORATION LIMITED

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- iii. has not posted Warrants to any Members of the Company as no Dividend was declared during the financial year.
- iv. duly complied with the requirements of Section 217 of the Act.
- 14. The Board of Directors of the Company is duly constituted.
- 15. There was no appointment of Managing Director/ Wholetime Director/Manager made during the financial year.
- 16. The Company has not appointed any Sole Selling Agents during the financial year.
- 17. The Company's Business during the Year under scrutiny did not occasion the obtaining of approval of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such Authorities prescribed under the various provisions of the Act.
- 18. The Directors have disclosed their interest in other Firms/Companies to the Board of Directors pursuant to the Provisions of the Act and the rules made 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. The Company has not issued any preference shares/debenture and hence there is no question of redemption of the same.
- 22. There were no transactions necessitating the Company to keep in abeyance the right to dividend, right 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 complied with the requirements of the provisions of Section 293(1)(d) of the Companies Act, 1956.
- 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 with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
- 27. The Company has not altered the provisions of the memorandum with respect to the object of the Company during the year under scrutiny.
- 28. The Company has not altered the provisions of the memorandum with respect to name of the Company during the year under scrutiny.
- 29. The Company has not altered the provisions of the memorandum with respect to share capital of the Company during the year under scrutiny.
- 30. The Company has not altered its Articles of Association during the financial year.
- 31. There was no prosecution initiated against or show cause notices received by the Company, during the financial year under the Act.
- 32. The Company has not received any sum as security from its employees during the year under certification.
- 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.

For MANOJ PRASAD SHAW, FCS

Place: Kolkata  
Date: 6th May, 2008

**Manoj Prasad Shaw**  
*Practicing Company Secretary*  
C.P.No. : 4194

**Annexure-‘A’**

1. Register of Members under Section 150.
2. Register of Transfer u/s 108.
3. Minutes Book of Board of Directors Meeting and General Meeting u/s 193.
4. Register of Directors u/s 303.
5. Register of Directors shareholding u/s 307.
6. Register of Investment u/s 372A.
7. Register of Contracts u/s 301.
8. Register of Charges u/s 143.

**Annexure-‘B’**

Forms and Return as filed by the Company with the Registrar of the Companies, Regional Director, Central Government or other authorities during the financial year ended 31st March 2008.

Sl. No.	Form No./ Return	Filed u/s	For	Date of filing	Whether filed within prescribed time Yes/No	If delay in filing, whether requisite additional fee paid Yes/No
1	Annual Return	159	Annual Return for AGM held on 20.06.2007	13.07.2007	Yes	N.A.
2	Balance Sheet	220	Balance Sheet as on 31.03.2007	13.07.2007	Yes	N.A.
3	Compliance Certificate	383A	Compliance Certificate for 31.03.2007.	19.07.2007	Yes	N.A.
4	DIN-3	Rule 6	DIN-3	20.06.2007	Yes	N.A.
5.	Form-32	303	Appointment of Shri Yogesh Goenka & Resignation of Shri Govind Narayan Pareek on 10.09.2007	08.10.2007	Yes	N.A.

For MANOJ PRASAD SHAW, FCS

Place: Kolkata  
Date: 6th May, 2008

**Manoj Prasad Shaw**  
Practicing Company Secretary  
C.P.No. : 4194

## 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, 2008 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, 2008, 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 14, 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, 2008;
- 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.

**S. R. Batliboi & Co.**

*Chartered Accountants*

*per R. K. Agrawal*

*a Partner*

Membership No. : 16667

Place: Kolkata

Date : May 6, 2008

## 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, 2008

- (i) During the year, the Company has disposed off its entire fixed assets . Based on the information and explanations given by the management and on the basis of audit procedures performed by us, we are of the opinion that the sale of the said assets has not affected the going concern status of the Company. Therefore the provisions of clause (a) & (b) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable.
- (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 Order 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 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 has been delay in few cases*.  
(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.



HINDUSTAN MOTOR FINANCE CORPORATION LIMITED

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- (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. 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 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 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 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 given 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.

Place: Kolkata  
Date : May 6, 2008

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

HINDUSTAN MOTOR FINANCE CORPORATION LIMITED

**BALANCE SHEET AS AT MARCH 31, 2008**

	Schedule	March 31,2008 Rs.	March 31,2007 Rs.
<b>SOURCES OF FUNDS</b>			
<b>A. SHAREHOLDERS' FUNDS</b>			
a. Share Capital	1	2500000	2500000
b. Reserves & Surplus			
Surplus as per Profit & Loss Account		4501735	2058399
		<u>7001735</u>	<u>4558399</u>
<b>B. LOANS</b>	2		
Unsecured		6300	6300
		<u>6300</u>	<u>6300</u>
<b>TOTAL</b>		<u>7008035</u>	<u>4564699</u>
<b>APPLICATION OF FUNDS</b>			
<b>A. FIXED ASSETS</b>	3		
a. Gross Block		0	132323
b. Less: Accumulated Depreciation		0	129060
c. Net Block		<u>0</u>	<u>3263</u>
<b>B. CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
a. Motor Vehicles given on Hire Purchase Contracts, valued at Hires receivable	4	0	448651
b. Sundry Debtors	5	333840	0
c. Cash and Bank Balances	6	2086956	203954
d. Other Current Assets			
Interest accrued on Fixed Deposit		62075	53000
e. Loans & Advances	7	5690674	4415293
		<u>8173545</u>	<u>5120898</u>
<b>C. LESS: CURRENT LIABILITIES &amp; PROVISIONS</b>	8		
a. Current Liabilities		1074652	226195
b. Provisions		90858	333267
		<u>1165510</u>	<u>559462</u>
<b>NET CURRENT ASSETS (B-C)</b>		<u>7008035</u>	<u>4561436</u>
<b>TOTAL</b>		<u>7008035</u>	<u>4564699</u>
<b>ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	14		

Schedules 1 to 8 and 14 referred to above form an integral part of the Balance Sheet.

As per our report of even date

**S.R.Batliboi & Co.**

*Chartered Accountants*

Per **R. K. Agrawal**

*a Partner*

Membership No 16667

Place: Kolkata

Dated : 6th May, 2008

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

**S. P. Singhi**

**U. C. Tiwari**

*DIRECTORS*

HINDUSTAN MOTOR FINANCE CORPORATION LIMITED

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008**

	Schedule	2007-2008 Rs.	2006-2007 Rs.
<b>INCOME</b>			
Sales & Services	9	19960169	0
Less: Value Added Tax		<u>2217795</u>	0
Finance Charges and Commission on Hire Purchase contracts	10	0	5851
Other Income	11	860408	589222
		<b><u>18602782</u></b>	<b><u>595073</u></b>
<b>EXPENDITURE</b>			
Job Charges to Contractors		14498000	0
Payments to and Provisions for employees	12	451649	405476
Interest		6870	4085
Purchases		135	0
Other Expenses	13	1157557	465035
Directors' Fees		28000	26000
Provision against Non-performing assets		0	532371
Depreciation		423	705
		<b><u>16142634</u></b>	<b><u>1433672</u></b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>2460148</b>	<b>(838599)</b>
Provision for Fringe Benefit Tax		23656	20000
Excess provision for Fringe Benefit Tax		(6844)	(1469)
Written back			
<b>PROFIT / (LOSS) AFTER TAXATION</b>		<b><u>2443336</u></b>	<b><u>(857130)</u></b>
Add: Surplus brought forward from Previous Year		2058399	2915529
Balance Carried to Balance Sheet		<b><u>4501735</u></b>	<b><u>2058399</u></b>
Earning per share (Basic & Diluted) (Rs)		9.77	(3.43)
Nominal value per share (Rs)		10.00	10.00
(Refer Note No.4 on Schedule 14)			
<b>ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>			
14			
Schedules 9 to 14 referred to above form an integral part of the Profit & Loss Account			

As per our report of even date

**S.R.Batliboi & Co.**

*Chartered Accountants*

Per **R. K. Agrawal**

*a Partner*

Membership No 16667

Place: Kolkata

Dated : 6th May, 2008

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

**S. P. Singhi**  
**U. C. Tiwari**  
**DIRECTORS**

HINDUSTAN MOTOR FINANCE CORPORATION LIMITED

**Cash Flow Statement for the year ended March 31, 2008**

	2007-2008 Rs.	2006-2007 Rs.
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES:</b>		
NET PROFIT / (LOSS) BEFORE TAXATION :	2,460,148	(838,599)
ADJUSTMENTS FOR:		
Depreciation	423	705
Profit on sale of Assets	(31,160)	-
Provision for Non Performing Assets	-	475,171
Interest Received (Net)	(439,081)	(433,474)
<b>OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES</b>	<b>1,990,330</b>	<b>(796,197)</b>
Increase in Trade Payables	618,032	(1,545,203)
Decrease in Trade & Other Receivables	145,056	1,710,542
<b>CASH GENERATED FROM OPERATIONS</b>	<b>2,753,418</b>	<b>(630,858)</b>
Add: Direct Tax (Paid)/received (Net)	(38,782)	(120,241)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>2,714,636</b>	<b>(751,099)</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Interest Received (Net of Interest Paid)	434,366	433,070
Loan to the Holding Company (Net)	(1,300,000)	(800,000)
Proceeds from sale of Assets	34,000	-
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(831,634)</b>	<b>(366,930)</b>
<b>NET CHANGES IN CASH &amp; CASH EQUIVALENTS (A+B)</b>	<b>1,883,002</b>	<b>(1,118,029)</b>
<b>* CASH &amp; CASH EQUIVALENTS - OPENING BALANCE</b>	<b>203,954</b>	<b>1,321,983</b>
	<b>2,086,956</b>	<b>203,954</b>
<b>* CASH &amp; CASH EQUIVALENTS - CLOSING BALANCE</b>	<b>2,086,956 **</b>	<b>203,954</b>

\* Represents Cash and Bank Balances as indicated in Schedule 6.

\*\* Includes Rs 11,18,000 (Rs 18,000) lying in Fixed Deposits with Banks

As per our report of even date

**S.R.Batliboi & Co.**

*Chartered Accountants*

Per **R. K. Agrawal**

*a Partner*

Membership No 16667

Place: Kolkata

Dated : 6th May, 2008

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

**S. P. Singhi**  
**U. C. Tiwari**  
*DIRECTORS*

**SCHEDULES TO THE BALANCE SHEET**

	March 31, 2008 RS.	March 31, 2007 RS.
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised:</b>		
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
	<u>200000000</u>	<u>200000000</u>

**Issued & Subscribed:**

2,50,000 Ordinary Shares of Rs.10 each fully paid in cash	2500000	2500000
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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
	<u>6300</u>	<u>6300</u>

**SCHEDULE 3 : FIXED ASSETS**

DESCRIPTION OF ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at March 31, 2007	Deduction	As at March 31, 2008	Upto March 31, 2007	For the Year	Adjustments	Upto March 31, 2008	As at March 31, 2008	As at March 31, 2007
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Furniture & Other Equipments	132323	132323	0	129060	423	129483	0	0	3263
Total - This year	<u>132323</u>	<u>132323</u>	<u>0</u>	<u>129060</u>	<u>423</u>	<u>129483</u>	<u>0</u>	<u>0</u>	<u>3263</u>
Total - Previous year	<u>132323</u>	<u>0</u>	<u>132323</u>	<u>128355</u>	<u>705</u>	<u>0</u>	<u>129060</u>	<u>3263</u>	

	March 31, 2008 Rs.	March 31, 2007 Rs.
<b>SCHEDULE 4 : MOTOR VEHICLES GIVEN ON HIRE</b>		
<b>PURCHASE CONTRACTS, VALUED AT HIRES RECEIVABLE :</b>		
<b>Non-Performing Assets</b>		
Doubtful Assets	0	1124665
Loss Assets	0	2860961
	<u>0</u>	<u>3985626</u>
Less: Provision for Non Performing Assets	0	3536975
	<u>0</u>	<u>448651</u>

**SCHEDULES TO THE BALANCE SHEET**

	March 31, 2008 Rs.	March 31, 2007 Rs.
<b>SCHEDULE 5 : SUNDRY DEBTORS</b>		
<b>Unsecured, Considered good except otherwise stated:</b>		
Debts due for within 6 months	333840	0
Debts due for more than 6 months		
Loss Assets	397820 *	397820
	<b>731660</b>	<b>397820</b>
Less: Provision for Non Performing Assets	397820	397820
	<b>333840</b>	<b>0</b>
* Includes Considered Doubtful Rs 3,97,820 (3,97,820)		
<b>SCHEDULE 6 : CASH &amp; BANK BALANCES</b>		
Cash on hand	110351	216
With Scheduled Banks on:		
Current Account	858605	124869
Fixed Deposit Account ( Includes Rs 18,000 for which the receipts are lying deposited with the Civil Court)	1118000	78869
	<b>2086956</b>	<b>203954</b>
<b>SCHEDULE 7 : LOANS &amp; ADVANCES</b>		
<b>Unsecured, considered good, except otherwise stated:</b>		
Loan to the Holding Company *	5500000	4200000
Advances recoverable in cash or in kind or for value to be received or pending adjustments	26558 **	56803
Tax deducted at source	184824	179198
Deposits	1850	1850
	<b>5713232</b>	<b>4437851</b>
Less: Provision for doubtful advances	22558	22558
	<b>5690674</b>	<b>4415293</b>
* Maximum amount due during the year Rs.55,00,000 (Rs 50,00,000)		
** Includes considered doubtful Rs 22,558 (Rs 22558)		
<b>SCHEDULE 8 : CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A. CURRENT LIABILITIES</b>		
Sundry Creditors for goods, services, expenses etc.		
Due to Small & Medium Enterprise	249349	0
Due to parties other than Small & Medium Enterprise	224824	224945
For Other Finance	600479	1250
	<b>1074652</b>	<b>226195</b>
<b>B. PROVISIONS</b>		
For Fringe Benefit Tax (Net)	3656	20000
For Leave Liability	87202	81634
Estimated Unearned Finance Charges carried forward	0	231633
	<b>90858</b>	<b>333267</b>
	<b>1165510</b>	<b>559462</b>

**Schedules to the Profit & Loss Account**

	2007-08	2006-07
	Rs.	Rs.
<b>SCHEDULE 9 : SALES</b>		
Sales	169	0
Job Charges	19960000	0
	<u>19960169</u>	<u>0</u>
<b>SCHEDULE 10 : FINANCE CHARGES &amp; COMMISSION</b>		
Estimated Unearned Finance Charges brought forward from previous year	231633	237484
Less: Estimated Unearned Finance Charges carried forward to next year	0	231633
	<u>231633</u>	<u>5851</u>
Less: Unearned finance charges written back	231633	0
Transferred to Profit & Loss account	<u>0</u>	<u>5851</u>
<b>SCHEDULE 11 : OTHER INCOME</b>		
Interest from Hirers & Others	18216	6593
Interest from the Holding Company (Tax at source Rs.88,114 (Rs.96,710))	427735	430966
Rent	0	94343
Unclaimed balances adjusted	1262	0
Unearned Finance Charges Written Back	231633	0
Surplus on sale of fixed Assets	31160	0
Provisions for non performing assets no longer required written back	150402	57320
	<u>860408</u>	<u>589222</u>
<b>SCHEDULE 12 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
Salaries & Bonus	371551	336479
Contribution to Provident, Gratuity & Other Funds	48649	44204
Welfare Expenses	31449	24793
	<u>451649</u>	<u>405476</u>
<b>SCHEDULE 13 : OTHER EXPENSES</b>		
Rent	12000	137699
Rates & Taxes	2250	2150
Travelling Expenses	131068	68206
Conveyance Expenses	112000	43938
Electricity Charges (Net)	0	7947
Legal Expenses	45670	0
Selling Expenses	0	25000
Postage, Telegrams & Telephones	13244	18392
Transportation charges	149614	0
Bank Charges	1210	1040
Miscellaneous Expenses	140650	89209
Provision for doubtful advances	0	22558
Insurance	16287	0
Testing charges	27795	0
Bad Debts Written off	3835224	
Less: Provision	<u>3386573</u>	0
Auditors' Remuneration :	448651	
As Auditors	50000	40000
Reimbursement of Service Tax & Cess	6180	4896
Items pertaining to previous years	938	4000
	<u>1157557</u>	<u>465035</u>

## Schedule to the Balance Sheet and Profit & Loss Account

### SCHEDULE 14 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### 1. ACCOUNTING POLICIES

##### i) **Basis of Preparation:**

The financial statements have been prepared to comply in all material aspect with the Notified Accounting Standard by Companies Accounting Standard Rules, 2006 and the relevant provisions of the Companies Act, 1956. Except otherwise mentioned, the accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

##### 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 the 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 to the respective funds are due. The Company has no obligations other than the contributions payable to the respective trusts.

###### **Defined Benefit Plans**

Gratuity liability and compensated leave encashment are provided for based on actuarial valuation made at the end of each financial year. The actuarial valuation is done on Projected Unit Credit method. 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



## Schedule to the Balance Sheet and Profit & Loss Account

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.

### 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.

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.

### 2. Contingent liability not provided for in respect of :

Amount in Rupees

March 31, 2008    March 31, 2007

Claims not acknowledged as debts by the Company

- Outstanding Bank Guarantees

118000

18000

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 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 to the Hon'ble Calcutta High Court.

**Schedule to the Balance Sheet and Profit & Loss Account****4. Earning Per Share (EPS) :-**

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

	2007-2008	2006-2007
Profit / (Loss) as per Accounts	2443336	857130
Weighted Average Number of Shares	250000	250000
Basic and Diluted EPS (Rs)	9.77	(3.43)
Nominal value per share (Rs.)	10.00	10.00

**5. 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:**

(i) Principal amount remaining unpaid to any supplier at the end of the accounting year	249349	0
(ii) Interest due on above	4360	0
Total of (i) & (ii)	253709	0
(iii) Amount of interest paid by the Company to the suppliers	0	0
(iv) Amounts paid to the suppliers beyond the respective due date	0	0
(v) Amount of interest due and payable for the period of delay in payments but without adding the interest specified under the Act.	0	0
(vi) Amount of interest accrued and remaining unpaid at the end of the accounting year.	4360	0
(vii) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of this act.	0	0

**6. 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	427,735
	(430,966)
Intercompany Loans given	1,300,000
	(800,000)
Inter Corporate Loans outstanding as on 31/3/2008	5,500,000
	(4,200,000)

**7. The Company's segment information as at and for the year ended 31st March, 2008 are as below:-**

	Bullet Proofing	Amount in Rupees Hire Purchase Finance	Total
(a) Revenue *	17,742,374	-	17742374
	(0)	(5851)	(5851)
(b) Segment results	2,116,106	(67,039.00)	2049067
	(-319623)	(-1026624)	(-1346247)
Unallocated income net of unallocated expenses			417,951
			(511733)

## HINDUSTAN MOTOR FINANCE CORPORATION LIMITED

	Bullet Proofing	Amount in Rupees Hire Purchase Finance	Total
Profit			2467018
Interest expense			(-834514)
Provision for Fringe Benefit Tax			6870
Excess Provision for Fringe Benefit Tax Written Back			(4085)
			23,656
			(-20000)
			-6844
			(-1469)
<b>Profit after Tax</b>			2443336
			(857130)
(c) <b>Total Assets</b>			
Segment Assets	2,611,470	-	2611470
	(95468)	(596495)	(691963)
Unallocated Corporate Asset			5,562,075
			(4432198)
			8173545
			(5124161)
(d) <b>Total Liabilities</b>			
Segment Liabilities	1,171,810	-	1171810
	(18121)	(521341)	(539462)
Unallocated Corporate Liability			6,300
			(26300)
			1178110
			(565762)
(e) <b>Other Information</b>			
Capital expenditure	-	-	-
	(-)	(-)	(-)
Depreciation	-	423	423
	(-)	(705)	(705)
(f) <b>Geographical Segment Revenue</b>			
India			17742374
			(5851)
Overseas			-
			(-)

\* Net of Value Added tax

- (i) Business segment : The business segment have been identified on the basis of the 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 : 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.

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

### A. Defined Contribution Plan

	2007-08 Rs.	2006-07 Rs.
Contribution to Provident Fund	34249	31154
Contribution to Super Annuation Fund	14400	13050

**Schedule 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. The following table summarises the components of net benefit expenses recognised in profit & loss account and the funded status and amount recognised in the balance sheet for respective plan.

Sl.	Particulars	In Rupees 2007-08	In Rupees 2006-07
	<b>Gratuity</b>		
<b>I</b>	<b>Net Employee Expense/(benefit)</b>		
1	Current Service Cost	14198	10194
2	Interest cost on benefit obligation	32004	31953
3	Expected Return on plan assets	(36776)	(30072)
4	Net Actuarial gain/loss recognised in the year	(9426)	(12075)
5	Total employee expenses recognised in Profit & Loss Account	0	0
<b>II</b>	<b>Actual return on plan assets</b>	36776	32705
<b>III</b>	<b>Benefit Asset/(Liability)</b>		
1	Defined benefit obligation	445400	408624
2	Fair Value of Plan Assets	445400	408624
3	Benefit Asset/(Liability)	0	0
<b>IV</b>	<b>Movement in benefit liability</b>		
1	Opening defined benefit obligation	408624	375919
2	Interest cost	32004	31953
3	Current Service Cost	14198	10194
4	Benefits paid	0	0
5	Actuarial ( gains)/losses on obligation	(9426)	(9442)
6	Closing benefit obligation	445400	408624
<b>V</b>	<b>Movement in fair value of plan assets</b>		
1	Opening fair value of plan assets	408624	375919
2	Return on plan assets(actual)	36776	32705
3	Contribution by employer	0	0
4	Benefits paid	0	0
5	Closing fair value of plan assets	445400	408624
<b>VI</b>	<b>The principal actuarial assumptions are as follows</b>		
1	Discount Rate	8.00%	8.50%
2	Salary increase	4.50%	3.50%
3	Withdrawal Rate	Varying between 2% & 1 % per annum depending upon duration and age of the employees.	
4	Expected rate of return on Plan Asset	8%	8%
<b>VII</b>	<b>The major categories of Plan Assets as a percentage of face value of total plan assets.</b>		
	Investment with Insurer	100%	100%
<b>VIII</b>	<b>Amount for the current and previous period are as follows</b>		
	<b>Gratuity</b>		
1	Defined Benefit Obligation	445400	408624
2	Plan Assets	445400	408624
3	Surplus / (Deficit)	0	0
4	Experience adjustments on Plan Assets	Not Applicable	Not Applicable
5	Experience adjustments on Plan Liabilities	Not Applicable	Not Applicable

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.

# HINDUSTAN MOTOR FINANCE CORPORATION LIMITED

- b) The information in respect of defined benefit obligation prior to 2006-07 are not available and hence not furnished.
9. In terms of accounting policy disclosed vide note no 1 vii(b) above, Deferred tax asset of Rs 751268 has not been recognized in the accounts.

## 10. Quantitative Information

Class of Service	Bullet Proofing
Unit	Nos
Opening (qty)	Nil
Opening (value)	Nil
Production(Qty in Nos.)	14
Production(Value in Rs.)	14498000
Sales(Qty)	14
Sales (Value)	19960000
Closing Stock (Qty)	nil
Closing Stock (Value)	nil

11. 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	-	333,840	333,840
Total	-	333,840	333,840

## ii) Other Information

### Particulars

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	-
iii) Assets acquired in satisfaction of debt	-

- 12 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

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

Signatures to Schedules 1 to 14

As per our report of even date

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

Per **R. K. Agrawal**  
a Partner  
Membership No 16667

Place: Kolkata  
Dated : 6th May, 2008

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

**S. P. Singhi**  
**U. C. Tiwari**  
DIRECTORS

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HINDUSTAN MOTOR FINANCE CORPORATION LIMITED

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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	31-3-2008		

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

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

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

Total Liabilities	7008	Total Assets	7008
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**SOURCES OF FUNDS**

Paid up Capital	2500.00	Reserves & Surplus	4502
Secured Loans	Nil	Unsecured Loans	Nil

**APPLICATION OF FUNDS**

Net Fixed Assets	0	Investments	Nil
Net Current Assets	7008	Misc. Expenditure	Nil
Accumulated Losses	Nil		

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

Turnover	18603 *	Total Expenditure	1614
Profit before Tax	2460	Profit after Tax	2443
Earnings per Share (Rs.)	9.77	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 & Bullet Proofing of Motor Vehicles

## Report of the Directors

To the Shareholders,

Your Directors hereby present their 46th Annual Report together with audited accounts of the Company for the year ended 31st March, 2008.

During the year under review the revenue account reflects a profit of Rs.9,35,295 after providing Rs.21,701 for depreciation and Rs.4,32,600 for taxation and fringe benefit tax. After taking into account Rs.4,920 on account of deferred tax liability, credit balance of Rs.86,40,230 brought forward from the previous years, there remains a credit balance of Rs.95,77,116 which your Directors have decided to carry forward.

During the year under review the Company had exported Ambassador cars, Engines and Auto parts to U.K., Japan, USA, Kenya and Mauritius. The total export during the year was approximately Rs.64 lacs as against Rs.290 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 2008, 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(7) and B(8) respectively of Schedule 13 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 S P Singhi retires from the Board of Directors by rotation and being eligible offers himself 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 for another term beginning the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting.

9/1 Rajendra Nath Mukherjee Road,  
Kolkata—700 001, the 2nd May, 2008

**S. P. SINGHI**  
**K. K. CHOUDHURY**  
DIRECTORS

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**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, 2008 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 paragraph – 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, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 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 – 15 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, 2008 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  
2nd May, 2008

For **G. Basu & Co.**  
*Chartered Accountants*  
**S. Lahiri**  
*Partner*  
Membership No. 051717



## **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.
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 was 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, 2008 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 neither incurred cash losses during the financial year covered by our audit nor 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 order 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  
2nd May, 2008

For **G. Basu & Co.**  
*Chartered Accountants*  
**S. Lahiri**  
*Partner*  
Membership No. 051717

**Balance Sheet as at March 31, 2008**

	Schedule	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
<b>SOURCES OF FUNDS</b>			
A. SHAREHOLDERS' FUNDS			
a. Share Capital	1	500000	500000
b. Reserves & Surplus	2	15098116	14161230
		<u>15598116</u>	<u>14661230</u>
<b>APPLICATION OF FUNDS</b>			
A. FIXED ASSETS	3		
a. Gross Block		320200	320200
b. Less: Depreciation		239903	218202
c. Net Block		<u>80297</u>	<u>101998</u>
B. CURRENT ASSETS, LOANS & ADVANCES			
a. Sundry Debtors	4	-	-
b. Cash and Bank Balances	5	4918450	4060702
c. Other Current Assets	6	101660	121885
d. Loans & Advances	7	14427901	13847938
		<u>19448011</u>	<u>18030525</u>
C. LESS: CURRENT LIABILITIES & PROVISIONS	8		
a. Current Liabilities		2756069	2158850
b. Provisions		1104000	1237400
		<u>3860069</u>	<u>3396250</u>
<b>NET CURRENT ASSETS</b>		15587942	14634275
<b>DEFERRED TAX LIABILITY (DEPRECIATION)</b>		70123	75043
		<u>15517819</u>	<u>14559232</u>
		<u>15598116</u>	<u>14661230</u>
<b>ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	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.

3, Chowringhee Approach  
Kolkata-700 072, 2nd May, 2008

For **G. Basu & Co.**  
Chartered Accountants  
**S. Lahiri**  
Partner  
Membership No. 051717

**S. P. SINGHI**  
**K. K. CHOUDHURY**  
DIRECTORS

**Profit & Loss Account for the year ended March 31, 2008**

	Schedule	Year ended March 31, 2008 Rs.	Year ended March 31, 2007 Rs.
<b>INCOME</b>			
Sales	9	6430068	29043034
Other Income	10	1237584	1146549
		<u>7667652</u>	<u>30189583</u>
<b>EXPENDITURE</b>			
Purchase of Traded Goods		5936287	25862611
Payments to and Provisions for Employees	11	-	797857
Other Expenses	12	323033	1643442
Directors' Remuneration (Meeting fee)		20000	24000
		<u>6279320</u>	<u>28327910</u>
<b>PROFIT BEFORE INTEREST, DEPRECIATION &amp; TAXATION</b>		<u>1388332</u>	<u>1861673</u>
Interest (other than fixed loan)		3656	10999
Depreciation		21701	41639
		<u>25357</u>	<u>52638</u>
<b>PROFIT BEFORE TAXATION</b>		<u>1362975</u>	<u>1809035</u>
Less : Provision for Taxation		428000	625000
		<u>934975</u>	<u>1184035</u>
Add /Less : Deferred Tax (depreciation)		4920	8101
		<u>939895</u>	<u>1192136</u>
Less : Provision for Fringe Benefit Tax		4600	46400
<b>PROFIT AFTER TAXATION</b>		<u>935295</u>	<u>1145736</u>
Add /Less : Income-tax for earlier year		-	8036
Excess provision for taxation written back		1591	-
Balance Brought forward from Previous year		8640230	7502530
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<u>9577116</u>	<u>8640230</u>
Earning per share - Basic and Diluted (Rs.)		18.71	22.91

**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.

3, Chowringhee Approach  
Kolkata-700 072, 2nd May, 2008

For **G. Basu & Co.**  
Chartered Accountants  
**S. Lahiri**  
Partner  
Membership No. 051717

**S. P. SINGHI**  
**K. K. CHOUDHURY**  
DIRECTORS

**Cash Flow Statement for the year ended March 31, 2008**

	March 31, 2008 Rs.	March 31, 2007 Rs.
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES:</b>		
<b>NET PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEMS:</b>	1362975	1809035
<b>ADJUSTMENT FOR:</b>		
Depreciation	21701	41639
Interest Expenses	3656	10999
Unrealized Foreign Exchange Gain/Loss (Net)	-109853	-
Interest Income	-1127731	-1135149
<b>OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES</b>	<b>150748</b>	<b>726524</b>
Increase/Decrease(-) in Trade Payables	707072	-4373231
Decrease/Increase(-) in Trade & Other Receivables	1259652	238422
<b>CASH GENERATED FROM OPERATIONS</b>	<b>2117472</b>	<b>-3408285</b>
Less: Direct Tax Paid(Incl. TDS & FBT)/Received (Net)(including for earlier years)	-403799	-761428
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>1713673</b>	<b>-4169713</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Refund against purchase of Shares	20000	-
Advance against purchase of Shares	-	-20000
Interest Received	17649	16929
Sale of Fixed Assets	-	3756
Received against loan to Holding Company	-	2000000
Loan paid to Holding Company	-2000000	-1000000
Interest received against loan to Holding Company	1110082	1118220
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-852269</b>	<b>2118905</b>
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest Paid	-3656	-10999
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-3656</b>	<b>-10999</b>
<b>NET CHANGES IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>	<b>857748</b>	<b>-2061807</b>
<b>*CASH &amp; CASH EQUIVALENTS - OPENING BALANCE</b>	<b>4060702</b>	<b>6122509</b>
	<b>4918450</b>	<b>4060702</b>
<b>*CASH &amp; CASH EQUIVALENTS - CLOSING BALANCE</b>	<b>4918450</b>	<b>4060702</b>
*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  
**S. Lahiri**  
Partner  
Membership No. 051717

3, Chowringhee Approach  
Kolkata-700 072, 2nd May, 2008

**S. P. SINGHI**  
**K. K. CHOUDHURY**  
DIRECTORS

**Schedules to the Balance Sheet**

		As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
<b>SCHEDULE 1 : SHARE CAPITAL</b>			
<b>Authorised :</b>			
50,000 Equity Shares of Rs 10 each		500000	500000
<b>Issued &amp; Subscribed :</b>			
50,000 Equity Shares of Rs 10 each fully paid up		500000	500000

- 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	5521000	5521000
	5521000	5521000
<b>SURPLUS AS PER PROFIT &amp; LOSS ACCOUNT</b>	9577116	8640230
	15098116	14161230

**SCHEDULE 3 : FIXED ASSETS**

DESCRIPTION OF ASSETS	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	As at March 31, 2007	Sales/ Adjust- ments	As at March 31, 2008	Upto March 31, 2007	For the Year	Less on Sales/ Adjust- ments	Upto March 31, 2008	As at March 31, 2008	As at March 31, 2007
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Machinery & Equip.	69190	-	69190	19390	3286	-	22676	46514	49800
Computer	236600	-	236600	184402	18415	-	202817	33783	52198
Furniture & Fittings	14410	-	14410	14410	-	-	14410	-	-
Total-This year	320200	-	320200	218202	21701	-	239903	80297	101998
Total-Previous year	429198	108998	320200	281805	41639	105242	218202	101998	147393

**SCHEDULE 4 : SUNDRY DEBTORS (UNSECURED)**

Debts outstanding for a period exceeding six months :	29810	29810
Less : Provision for doubtful debts	29810	29810
	-	-

**SCHEDULE 5 : CASH & BANK BALANCES**

Cash in hand (Including cheques)	256017	19791
Balance with Scheduled Banks in :		
Fixed Deposit Account	270000	270000
Current Account	4392433	3770911
	4918450	4060702

**Schedules to the Balance Sheet**

	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
<b>SCHEDULE 6 : OTHER CURRENT ASSETS</b>		
Unsecured :		
Considered good :		
Interest accrued on Deposits/Loan	3377	3602
Export Incentives receivable	98283	98283
Advance against purchase of Shares	-	20000
	<u>101660</u>	<u>121885</u>
<b>SCHEDULE 7 : LOANS &amp; ADVANCES</b>		
Unsecured :		
Considered good :		
Inter Corporate Loan to Holding Company	13000000	11000000
Advance Payment of Fringe Benefit Tax	57200	102870
Advance payment of Income Tax	1171329	1286269
Advance against orders to Holding Company	165372	1449799
Other advances recoverable in cash or in kind or for value to be received or pending adjustments	34000	9000
	<u>14427901</u>	<u>13847938</u>
<b>SCHEDULE 8 : CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A. CURRENT LIABILITIES</b>		
Sundry Creditors for goods, services, expenses etc. *	37540	37453
Advance against Orders	2718529	2121397
	<u>2756069</u>	<u>2158850</u>
<b>B. PROVISIONS</b>		
For Taxation	1104000	1237400
	<u>3860069</u>	<u>3396250</u>
* Amount outstanding to small scale industrial undertakings is nil		

**Schedules to the Profit & Loss Account**

	Year ended March 31, 2008 Rs.	Year ended March 31, 2007 Rs.
<b>SCHEDULE 9 : SALES</b>		
Export Sales	6415549	28996876
Export Incentives	14519	46158
	<u>6430068</u>	<u>29043034</u>
<b>SCHEDULE 10 : OTHER INCOME</b>		
Interest on Fixed Deposits (including TDS Rs.2940/- prev. yr. Rs.3799/- )	17649	16929
Interest from Holding Company on loan (including TDS Rs.228676/- prev.yr.Rs.250929/-	1110082	1118220
Miscellaneous Income	-	7225
Unspent Liabilities and Provisions no longer required written back	-	4175
Exchange rate difference (Net)	109853	-
	<u>1237584</u>	<u>1146549</u>

## Schedules to the Profit & Loss Account

	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
<b>SCHEDULE 11 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
Salaries, Wages & Bonus	-	685553
Contribution to Provident, Gratuity & Other Funds	-	55067
Welfare Expenses	-	57237
	<u>-</u>	<u>797857</u>
<b>SCHEDULE 12 : OTHER EXPENSES</b>		
Rates & Taxes	3900	3900
Delivery Charges, Freight & Transportation etc.	155128	576933
Travelling Expenses	-	397117
Miscellaneous Expenses	144342	468686
Exchange Rate Difference (Net)	-	76848
Rent & Hire charges	-	80000
Commission Paid	-	21168
Auditors' Remuneration :		
As Auditors	14045	14045
Other Services for issuing various certificates	5618	4745
	<u>323033</u>	<u>1643442</u>

## Schedule to the Balance Sheet and Profit & Loss Account

### SCHEDULE 13 : 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 in Profit & Loss Account.
- 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).



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**HM EXPORT LIMITED**

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- 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. **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.
- 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.

**B. NOTES ON ACCOUNTS :**

- 1 Leave liability is provided for on the basis of actuarial valuation
- 2 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)	2482049 (13404514)
			Loan given & outstanding as on 31.03.2008	13000000 (11000000)
			Interest on loan	1110082 (1118220)
			Advance to holding company against sales order	165372 (1449799)
			Sales of DEPB License	- (505542)
2	Hindustan Motor Finance Corpn Ltd.	Fellow Subsidiary Company	-	-
3	Hindustan Motors Limited, USA	Fellow Subsidiary Company	-	-

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

- 4 **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:-

	2007-08	2006-07
Profit as per accounts	935295	1145736
No. of Equity Shares outstanding during the year	50000	50000
Basic & Diluted EPS (Rs.)	18.71	22.91

- 5 **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.

- 6 Quantitative information :

**Traded goods**

Class of Goods	Purchases			Opening Stock		Closing Stock		Sales	
	Unit	Qty.	Rs.	Qty.	Rs.	Qty.	Rs.	Qty.	Rs.
1. On Road Automobile having four or more wheels	Nos.	7	2315226	-	-	-	-	7	2599746
		(21)	(7144021)	(-)	(-)	(-)	(-)	(21)	(8314573)
2. Isuzu Engine	Nos.	72	3144960	-	-	-	-	72	3231403
		(288)	(12196800)	(-)	(-)	(-)	(-)	(288)	(13605696)
3. Spare Parts	Lot	Lot	476101	Lot	-	Lot	-	Lot	584400
		(Lot)	(6521790)	(Lot)	(-)	(Lot)	(-)	(Lot)	(7076607)
Total			5936287		-		-		6415549
			(25862611)		(-)		(-)		(28996876)

		Year ended March 31, 2008 Rs.	Year ended March 31, 2007 Rs.
7	Earning in Foreign Exchange : F.O.B. Value of Exports	6415549	28563526
8	Expenses in Foreign Exchange : Travelling and other Expenses	-	117032
9	Movement of provision for taxation Opening Balance	1237400	1146000
	Addition during the year	432600	671400
		1670000	1817400
	Less : Payment/adjustment	566000	580000
	Closing Balance	1104000	1237400
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		State Code		21
Registration No	25330			
Balance Sheet Date	31-3-2008			
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	-	15598 *	Total Assets	- 15598
Source of Funds :				
Paid-up Capital	-	500	Reserves & Surplus	- 15098
Secured Loans	-	Nil	Unsecured Loans	- Nil
Application of Funds :				
Net Fixed Assets	-	80	Investments	- Nil
Net Current Assets	-	15518 *	Misc. Expenditure	- Nil
Accumulated Losses	-	Nil		
* Net of Deferred Tax Liability				
IV Performance of Company (Amount in Rs. thousands)				
Turnover	-	7668 **	Total Expenditure	- 6305
Profit/Loss Before Tax	-	1363	Profit/Loss After Tax	- 935
Earning per Share in Rs	-	18.71	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.

For **G. Basu & Co.**  
Chartered Accountants  
**S. Lahiri**  
Partner  
Membership No. 051717

3, Chowringhee Approach  
Kolkata-700 072, 2nd May, 2008

**S. P. SINGHI**  
**K. K. CHOUDHURY**  
DIRECTORS

**Directors' Report of Hindustan Motors Limited, USA  
for the year April, 2007 to March, 2008**

To the Shareholders,

Your Directors hereby present their report together with the Audited Accounts of the Company for the year ended 31st March, 2008.

**Financial Highlight and Business Scenario :**

The Company earned a revenue of \$ 415824 during the year under review as against \$ 443025 earned during previous year. The revenue account reflects a loss of \$ 108406 after providing for depreciation of \$ 8426 compared to a loss of \$ 125129 posted during the previous year.

As stated in earlier reports, 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.

**Share Capital :**

During the year under review, the authorized capital was increased to \$ 400000 by increasing the par value of share from \$ 1 to \$ 4. Hindustan Motors Limited, the holding company has invested \$ 300000 as share capital and as a result the share capital of the Company increased to \$ 400000.

**Future Prospects :**

During the year under review the Company had been able to procure orders for providing offshore services from well established client NSK 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.

The Company is also negotiating with various renowned customers for availing the offshore services offered by the Company and it is expected that these will fructify into contracts during the current financial year.

2nd May, 2008

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

**Auditors' Report (As on 31st March, 2008)  
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 audit.

I have checked the Profit & Loss and Balance Sheet statement of Hindustan Motors Limited, USA for the period from 1st April, 2007 to 31st March, 2008 and found them to be in line with the books of accounts.

**PIKSTEIN & METZGER, PLLC**

Certified Public Accountants

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

**Balance Sheet as on March 31, 2008**

	31st March 2008 US \$	31st March 2007 US \$
<b>SOURCES OF FUNDS</b>		
Share Capital	400,000.00	100,000.00
Less : Profit & Loss Account :		
Opening Balance	-460,407.07	-335,277.72
Loss for the twelve months	-108,406.05	-125,129.35
	<u>-568,813.12</u>	<u>-460,407.07</u>
	<u>-168,813.12</u>	<u>-360,407.07</u>
<b>Loans &amp; Advances</b>		
HML - India	212,580.19	193,580.19
Birla Soft	-	-
<b>Accounts Payable</b>		
Dues to Principal Officer	68,779.82	92,893.81
Provision for Expenses	80,577.39	42,825.10
Payable to HML India-Offshore Billing	6,401.00	210,522.53
David Neuman DBA Vsports	0.00	4,070.00
	<u>199,525.28</u>	<u>183,484.56</u>
<b>APPLICATION OF FUNDS</b>		
<b>Fixed Assets</b>		
Gross Block	42,131.24	42,131.24
Less : Depreciation	28,051.87	19,625.63
	<u>14,079.37</u>	<u>22,505.61</u>
<b>Current Assets</b>		
Deposit & Advances	2855.77	4,855.77
Accounts Receivable	182,252.39	151,447.89
Cash & Bank Balances	337.75	947.55
Total Current Assets	185,445.91	157,251.21
Pre-operative Expenses	0.00	3,727.74
	<u>199,525.28</u>	<u>183,484.56</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, 2008**

	2007-2008 US \$	2006-2007 US \$
<b>Revenue :</b>		
Sales	415,824.00	443,025.45
Other Income	-	-
<b>Sales &amp; Other Income</b>	<b>415,824.00</b>	<b>443,025.45</b>
<b>Cost of Services Sold :</b>		
Offshore Services Purchased	81,789.00	170,292.05
<b>Gross Profit (Loss)</b>	<b>334,035.00</b>	<b>272,733.40</b>
<b>Expenses :</b>		
Salaries & Wages	320,003.79	279,305.90
Bank Charges	2,458.32	5,292.69
Depreciation	8,426.26	7,128.50
Insurance	38,772.06	36,527.27
Commission	14,707.84	9,035.00
Stationery & Postage	461.36	-
Visa Fees	9,520.00	-
Travel & Entertainment	3,236.00	8,596.45
Rent & Taxes	13,997.04	12,938.74
Telephones	9,692.50	6,709.25
Professional Fees	2,375.00	6,000.00
Pre-Operative exp. w/off during the year	3,727.74	3,728.76
VEHICLE & FUEL	15,063.14	22,600.19
<b>Total Expenses</b>	<b>442,441.05</b>	<b>397,862.75</b>
<b>Net Income (Loss)</b>	<b>(108,406.05)</b>	<b>(125,129.35)</b>

**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,  
ITS SUBSIDIARY COMPANIES AND THE ASSOCIATE COMPANY**

- 1.0 We have audited the attached Consolidated Balance Sheet of HINDUSTAN MOTORS LIMITED ("Company"), its subsidiary companies and the associate company as at 31st March 2008, and also the Consolidated Profit and Loss Account and the Consolidated 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.
- 2.0 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 statement 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. 262.68 lacs as at 31st March 2008, total revenue of Rs. 250.77 lacs and net cash flow of Rs. 8.31 lacs for the year then ended. These financial statements and other financial information of the subsidiaries have been audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of 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's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 23, 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 25 regarding non-provision of disputed claim aggregating to Rs. 413.29 lacs.*  
*Had the impact of above item been considered, the profit for the year would have been Rs. 3392.98 lacs (after adjusting the impact of Rs.413.29 lacs for earlier years) as against the reported profit of Rs. 3806.27 lacs and the Profit & Loss Account Debit Balance would have been Rs. 2033.53 lacs, as against the reported figure of Rs.1620.24 lacs. Similarly, because of the above, the profit during the previous year ended 31st March 2007 would have been Rs. 1986.23 lacs as against the reported profit of Rs.2399.52 lacs and the Profit & Loss Account Debit Balance would have been Rs. 5839.80 lacs as against the reported figure of Rs. 5426.51 lacs.*
- 6.0 Based on our audit and on the basis of 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 25, give a true and fair view in conformity with the accounting principles generally accepted in India :
- in the case of Consolidated Balance Sheet, of the consolidated state of affairs of Hindustan Motors Limited, its subsidiary companies and the associate company as at 31st March 2008;
  - in the case of Consolidated Profit and Loss Account, of the consolidated results of operations of Hindustan Motors Limited, its subsidiary companies and the associate company for the year then ended; and
  - in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of Hindustan Motors Limited, its subsidiary companies and the associate company for the year then ended.

**S. R. Batliboi & Co.**  
Chartered Accountants  
per **R. K. Agrawal**

a Partner

Membership No. 16667

Place: New Delhi  
May 8, 2008



CONSOLIDATED BALANCE SHEET OF HINDUSTAN MOTORS LIMITED AND  
ITS SUBSIDIARY COMPANIES AS AT MARCH 31, 2008

		Rupees in lacs	
	Schedule	March 31, 2008	March 31, 2007
<b>SOURCES OF FUNDS</b>			
A. SHAREHOLDERS' FUNDS			
a. Share Capital	1	16125.68	16125.68
b. Reserves & Surplus	2	1340.75	1535.47
		<u>17466.43</u>	<u>17661.15</u>
B. LOANS	3		
a. Secured		6307.48	12320.77
b. Unsecured		4740.32	6449.86
		<u>11047.80</u>	<u>18770.63</u>
C. DEFERRED PAYMENT LIABILITIES	4	1587.35	655.84
D. DEFERRED TAX LIABILITY	5	0.70	0.75
		<u>30102.28</u>	<u>37088.37</u>
<b>APPLICATION OF FUNDS</b>			
A. FIXED ASSETS	6		
a. Gross Block		48624.06	48752.89
b. Less: Accumulated Depreciation / Amortisation		<u>32192.77</u>	<u>30174.78</u>
c. Net Block		16431.29	18578.11
d. Capital work-in-progress		558.06	180.32
		<u>16989.35</u>	<u>18758.43</u>
B. INVESTMENTS	7	9650.37	8920.47
C. CURRENT ASSETS, LOANS & ADVANCES			
a. Inventories	8	8204.76	10276.20
b. Motor Vehicles given on Hire purchase contracts, Valued at Hires receivable	9	—	4.48
c. Sundry Debtors	10	4623.64	3829.56
d. Cash and Bank Balances	11	1447.71	6369.41
e. Other Current Assets	12	477.12	487.27
f. Loans & Advances	13	4514.59	4521.45
		<u>19267.82</u>	<u>25488.37</u>
D. LESS: CURRENT LIABILITIES & PROVISIONS	14		
a. Current Liabilities		17478.45	20556.02
b. Provisions		868.09	970.84
		<u>18346.54</u>	<u>21526.86</u>
<b>NET CURRENT ASSETS</b>		<u>921.28</u>	<u>3961.51</u>
E. MISCELLANEOUS EXPENDITURE (To the extent not written off/adjusted)	15	921.04	21.45
F. PROFIT & LOSS ACCOUNT DEBIT BALANCE		1620.24	5426.51
		<u>30102.28</u>	<u>37088.37</u>
<b>ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	25		

Schedules 1 to 15 and 25 referred to above form an integral part of the Balance Sheet

As per our report of even date

**S.R.Batliboi & Company**

Chartered Accountants

Per **R.K. Agrawal**

a Partner

Membership No.16667

Camp : New Delhi

May 08, 2008

**Yogesh Goenka**  
Chief Financial Officer &  
Company 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, 2008

		Rupees in lacs	
	Schedule	2007-2008	2006-2007
<b>INCOME</b>			
Sales & Services	16	85684.65	80908.11
Less: Excise Duty		14951.74	13798.30
Sales Tax & Value Added Tax		4159.75	17931.19
		66573.16	62976.92
Finance charges & commission on hire purchase contracts	17	—	0.06
Other Income	18	11902.02	8198.22
		78475.18	71175.20
<b>EXPENDITURE</b>			
Decrease / (Increase) in Stocks	19	148.86	(945.03)
Excise duty on Stocks (Refer Note No.23 on Schedule 25)		(116.97)	188.19
Raw Materials and Components Consumed	20	40382.86	41595.84
Stores & Spares Consumed		1395.66	1613.50
Job charges to Contractors		144.98	—
Purchase of Trading Goods		8549.33	7653.29
Fuel & Electricity (Net)		1364.85	1615.12
Payments to and Provisions for Employees	21	8680.24	6982.83
Other Expenses	22	9163.96	7187.23
Directors' Remuneration		77.70	70.05
		69791.47	65961.02
<b>PROFIT BEFORE INTEREST, DEPRECIATION &amp; TAXATION</b>		8683.71	5214.18
Interest	23	1987.56	1657.80
Depreciation	24	2118.30	2326.83
		4105.86	3984.63
<b>PROFIT BEFORE TAXATION</b>		4577.85	1229.55
Provision for Taxation			
Current Tax (Including Rs.196.12 lacs for earlier years)		1784.70	291.25
MAT Credit Entitlement (Net)		(113.99)	(395.00)
(Including Rs.113.99 lacs (Rs. Nil) for earlier years)			
Fringe Benefit Tax		65.29	59.66
Deferred Tax		(0.05)	0.08
Excess Tax Provision Written Back		(234.47)	(0.09)
		1501.48	(44.10)
<b>PROFIT AFTER TAXATION</b>		3076.37	1273.65
Add: Proportionate Share of Profit of the Associate Company		729.90	1125.87
		3806.27	2399.52
Less: Loss Brought forward from Previous year		5426.51	7826.03
<b>Loss carried to Balance Sheet</b>		1620.24	5426.51
Earning per share - Basic and Diluted (Rs.)		2.36	1.49

(Refer Note No.15 on Schedule 25)

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 25

Schedules 16 to 25 referred to above form an integral part of the Profit & Loss Account

As per our report of even date

**S.R.Batliboi & Company**

Chartered Accountants

Per **R.K. Agrawal**

a Partner

Membership No.16667

Camp : New Delhi

May 08, 2008

**Yogesh Goenka**  
Chief Financial Officer &  
Company 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 CONSOLIDATED  
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

	Rupees in lacs	
	2007-2008	2006-2007
<b>A) CASH FLOW FROM OPERATING ACTIVITIES:</b>		
NET PROFIT BEFORE TAXATION	4577.85	1229.55
ADJUSTMENTS FOR:		
Depreciation	2118.30	2326.83
Deferred Revenue Expenditure	481.91	216.20
Interest Expenses (Net)	1747.01	1599.97
Financial Lease Rentals	13.88	10.11
Foreign Exchange loss / (Gains) (Net)	325.43	164.16
Profit on Fixed Assets Sold/Discarded	(10308.88)	(7342.44)
Dividend Income	(159.83)	(128.88)
<b>OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES</b>	<b>(1204.33)</b>	<b>(1924.50)</b>
Increase/ (Decrease) in Trade Payables	(1996.88)	97.77
Decrease / (Increase) in Trade & Other Receivables	(2971.48)	1638.03
Decrease/ (Increase) in Inventories	2071.44	(1689.42)
<b>CASH GENERATED FROM OPERATIONS</b>	<b>(4101.25)</b>	<b>(1878.12)</b>
Add: Direct Tax (Paid) / received (Net)	(1192.74)	(179.47)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(5293.99)</b>	<b>(2057.59)</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Sale of Fixed Assets	10831.37	7639.00
Dividend Received	159.83	128.88
Interest received from Fixed Deposits	188.78	9.21
Purchase of Fixed Assets	(1058.13)	(1504.55)
Repayment of Finance Lease Liability	(13.88)	(10.11)
Investment in Associate & other Companies	-	(36.50)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>10107.97</b>	<b>6225.93</b>
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net Increase / (Decrease) from other borrowings	(3602.57)	2840.26
Repayment of Long Term Loans	(4124.60)	(0.66)
Interest Paid (Net of Interest Received)	(2008.46)	(1602.75)
Payment to Investor Protection Fund	(0.05)	(0.10)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(9735.68)</b>	<b>1236.75</b>
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	(4921.70)	5405.09
* CASH & CASH EQUIVALENTS - OPENING BALANCE	6369.41	964.32
	1447.71	6369.41
* CASH & CASH EQUIVALENTS - CLOSING BALANCE	1447.71 **	6369.41

\* Represents Cash and Bank Balances as indicated in Schedule 11.

\*\* Includes Rs. 1.95 lacs (Rs. 2.00 lacs) lying in unpaid Dividend / Debenture interest Account and Rs.30.43 lacs (Rs.5890.23 lacs) in Fixed Deposits & Margin Deposit with Banks.

As per our report of even date

**S.R.Batliboi & Company**

Chartered Accountants

Per **R.K. Agrawal**

a Partner

Membership No.16667

Camp : New Delhi

May 08, 2008

**Yogesh Goenka**  
Chief Financial Officer &  
Company 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, 2008	March 31, 2007
<b>SCHEDULE 1 : SHARE CAPITAL</b>			
<b>Authorised:</b>			
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>
<b>Issued:</b>			
16,15,89,297	Ordinary Shares of Rs.10 each	<u>16158.93</u>	<u>16158.93</u>
<b>Subscribed &amp; Paid-up:</b>			
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.			
<b>SCHEDULE 2 : RESERVES &amp; SURPLUS</b>			
<b>CAPITAL RESERVE</b>			
a) Net Surplus on Revaluation of Fixed Assets			
	As per last account	1193.14	1308.10
	Less: Adjustment towards assets sold	204.52	113.89
	Less: Transfer to Depreciation Account	<u>1.07</u>	<u>1.07</u>
		987.55	1193.14
b) Others :			
	As per last Account	<u>3.53</u>	<u>3.53</u>
		<u>991.08</u>	<u>1196.67</u>
<b>SECURITIES PREMIUM</b>			
	As per last account	<u>317.28</u>	<u>317.28</u>
<b>CENTRAL SUBSIDY</b>			
	As per last account	<u>15.00</u>	<u>15.00</u>
<b>FOREIGN CURRENCY TRANSLATION RESERVE</b>			
	(Refer Note No.1(e) on Schedule 25)	<u>17.39</u>	<u>6.52</u>
		<u>1340.75</u>	<u>1535.47</u>
<b>SCHEDULE 3 : LOANS</b>			
<b>SECURED : (Note No.5 on Schedule 25)</b>			
From Financial Institutions :			
	Term Loans	2515.60	4326.28
From Scheduled Banks :			
	Term Loans	2395.08	4709.00
	Cash Credits	1391.98	3271.08
	Deferred Payment Credits	—	13.88
	(Secured by assets acquired under Lease)		
	Interest accrued and due	<u>4.82</u>	<u>0.53</u>
		<u>6307.48</u>	<u>12320.77</u>

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

	Rupees in lacs	
	March 31, 2008	March 31, 2007
UNSECURED :		
LONG TERM		
Sales tax Deferral Credit	4178.98	4178.98
SHORT TERM		
From Bodies Corporate	350.00	2100.00
Security & Other Deposits	211.34	170.88
	561.34	2270.88
	4740.32 *	6449.86
	11047.80	18770.63
* Includes Rs.350.00 lacs (Rs.2100.00 lacs) due for payment within one year.		
<b>SCHEDULE 4 : DEFERRED PAYMENT LIABILITIES</b>		
Payments under Voluntary Retirement Schemes	1587.35 *	655.84
* Includes Rs.431.61 lacs (Rs.253.31 lacs) due for payment within one year.		
<b>SCHEDULE 5 : DEFERRED TAX LIABILITY</b>		
Balance as per last account	(0.75)	(0.83)
Less: Deferred Tax Asset for the year	0.05	0.08
	(0.70)	(0.75)

**HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES**  
**SCHEDULE FORMING PART OF THE CONSOLIDATED ACCOUNTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2008**

Rs. in Lacs

**SCHEDULE 6: FIXED ASSETS**

DESCRIPTION OF ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at March, 31, 2007	Additions	Sales/ Adjustments	As at March 31, 2008	Upto March 31, 2007	For the Year	Less : On Sales / Adjustments	Upto March 31, 2008
Goodwill	0.05	-	-	0.05	0.05	-	-	-
Free hold Land	1967.37	-	635.13	1332.24	-	-	-	1332.24
Lease Hold Land	35.83	-	-	35.83	7.32	0.37	-	28.14
Buildings	9164.37	38.46	-	9202.83 (a)	4329.25	194.47	-	4523.72
Machinery & Equipments	36265.43	401.49	58.28	36608.64	25023.42	1846.70	42.65	26827.47
Furniture & Fittings	649.46	45.38	6.34	688.50	479.14	19.96	4.43	494.66
Vehicles	670.38	208.56	128.63	750.31	335.60	56.61	54.29	337.92
Intangible Assets	-	5.66	-	5.66	-	1.26	-	4.40
Capital Work in Progress	48752.89	699.55 (b)	828.38	48624.06	30174.78	2119.37	101.37	32192.77
<b>TOTAL</b>	<b>48933.21</b>	<b>1240.22</b>	<b>991.31 (c)</b>	<b>49182.12 (e)</b>	<b>30174.78</b>	<b>2119.37</b>	<b>101.37</b>	<b>32192.77</b>
PREVIOUS YEAR'S TOTAL	48005.98	1561.16	633.93	48933.21	28037.46	2327.90	190.58	30174.78
								18758.43

NOTES : (a) Includes Rs. 450 Lacs (Rs. 450 Lacs) being the value of shares in Co-operative Housing Societies.

(b) Includes Capital Expenditure on Scientific Research Rs. 34.02 Lacs (Rs.13.20 Lacs).

(c) Includes Rs.Nil (Rs. 24.58 Lacs) being the value of assets discarded

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

(e) Includes proportionate cost of a part of Building (on leasehold land) and Other Assets amounting to Rs. 77.89 Lacs (Rs. 77.85 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.

(f) 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

			Rupees in lacs	
SCHEDULE 7 : INVESTMENTS (At Cost)			March 31,2008	March 31,2007
	Number of Shares	Face Value Per Share Rs.		
<b>LONG TERM (OTHER THAN TRADE) (FULLY PAID)</b>				
<b>GOVERNMENT SECURITIES (UNQUOTED)</b>				
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>
<b>QUOTED</b>				
ORDINARY SHARES				
Hyderabad Industries Ltd.	122188	10	<u>73.31</u>	<u>73.31</u>
<b>UNQUOTED</b>				
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>5.00</u>
AVTEC Ltd. (a company under the same management)	12250000	10	7462.71	7462.71
Less: Capital Reserve			552.75	552.75
			<u>6909.96</u>	<u>6909.96</u>
Add : Share of post acquisition Profit			2659.00	1929.10
			<u>9568.96</u>	<u>8839.06</u>
			<u>9650.37</u>	<u>8920.47</u>
<b>AGGREGATE VALUE OF INVESTMENTS :</b>				
	<b>Cost</b>	<b>Market Value</b>	<b>Cost</b>	<b>Market Value</b>
Quoted	73.31	175.03	73.31	176.87
Unquoted	9577.06		8847.16	
	<u>9650.37</u>		<u>8920.47</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 31,2008	March 31,2007
<b>SCHEDULE 8 : INVENTORIES</b>		
At lower of cost and net realisable value		
Stores & Spares	196.55	179.58
Loose Tools	119.57	126.64
Raw Materials and Components	4272.35	6204.83
Goods under process	1414.76	1467.18
Finished Goods	721.84	1351.57
Trading Goods	1479.69	946.40
	<u>8204.76</u> *	<u>10276.20</u>
* Includes materials lying with third parties / in Bond and in transit Rs.2430.66 lacs (Rs.3336.75 lacs).		
<b>SCHEDULE 9 : MOTOR VEHICLES GIVEN ON HIRE PURCHASE CONTRACTS, VALUED AT HIRES RECEIVABLE</b>		
Non-performing assets	—	39.85
	—	39.85
Less: Provision for Non-Performing assets	—	35.37
	—	<u>4.48</u>
<b>SCHEDULE 10 : SUNDRY DEBTORS</b>		
<b>Considered good except otherwise stated :</b>		
(a) Debts outstanding for a period exceeding six months :		
Secured	24.85	23.23
Unsecured	241.84	1146.56
	<u>266.69</u>	<u>1169.79</u>
(b) Other Debts :		
Secured	30.34	23.36
Unsecured	4463.53	3279.47
	<u>4493.87</u>	<u>3302.83</u>
	<u>4760.56</u> *	<u>4472.62</u>
Less: Provision for doubtful debts	136.92	643.06
	<u>4623.64</u>	<u>3829.56</u>
* Includes considered doubtful Rs.136.92 lacs (Rs.1050.02 lacs).		
<b>SCHEDULE 11 : CASH &amp; BANK BALANCES</b>		
Cash-on-hand	16.41	20.17
Remittances in transit	1115.39	356.82
With Scheduled Banks on :		
Fixed Deposit Account	22.09	5793.54
Current Account	283.53	100.19
Margin Deposit Account	8.34	96.69
Unpaid Dividend / Interest Accounts	1.95	2.00
	<u>1447.71</u>	<u>6369.41</u>
<b>SCHEDULE 12 : OTHER CURRENT ASSETS</b>		
<b>Unsecured :</b>		
Considered good except otherwise stated :		
Interest accrued on Deposits	2.94	5.43
Export Incentives receivable	9.64	18.54
Insurance & Other Claims receivable	474.65	473.41
	<u>487.23</u> *	<u>497.38</u>
Less: Provision for doubtful claims	10.11	10.11
	<u>477.12</u>	<u>487.27</u>
* Includes Rs.413.29 lacs (Rs.413.29 lacs) under dispute and Rs.10.11 lacs (Rs.10.11 lacs) considered doubtful.		



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

	Rupees in lacs	
	March 31,2008	March 31,2007
<b>SCHEDULE 13 : LOANS &amp; ADVANCES</b>		
<b>Unsecured :</b>		
<b>Considered good except otherwise stated :</b>		
Advances against Capital Contracts	31.61	136.98
Other advances recoverable in cash or in kind or for value to be received or pending adjustments	1553.33	721.33
Loans / Advances to Officers *	2.26	6.21
Balance with Customs, Port Trust & Other Government Departments	327.90	538.28
Sales Tax, VAT and other refunds receivable (including payments made under appeal)	2235.39	2280.71
MAT Credit Entitlement	—	395.00
Deposits with Government Departments & Others	647.21	617.01
	<u>4797.70</u> **	<u>4695.52</u>
Less: Provision for doubtful advances	<u>283.11</u>	<u>174.07</u>
	<u>4514.59</u>	<u>4521.45</u>
* Maximum amount due from officers at any time during the year Rs.7.87 lacs (Rs.12.21 lacs).		
** Includes considered doubtful Rs.283.11 lacs (Rs.243.68 lacs).		
<b>SCHEDULE 14 : CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A. CURRENT LIABILITIES</b>		
Acceptances	2710.16	3987.34
Sundry Creditors for goods, services, expenses etc.		
Due to Micro & Small Enterprises	1107.61	2642.30
Due to Others	10863.38 *	10640.68
(Refer Note No.18 on Schedule 25)		
Advances against Sales/Orders	1005.66	1426.33
Investor Education and Protection Fund **		
Unpaid Dividend	1.95	1.95
Interest accrued	—	0.05
Other Liabilities	1767.98	1756.22
Interest accrued but not due:		
On Secured Loans	21.38	92.63
On Unsecured Loans	0.33	8.52
	<u>17478.45</u>	<u>20556.02</u>
* Includes Rs.1091.52 lacs (Rs.577.79 lacs) due to AVTEC Limited (a company under same management).		
** Amount not yet due for deposit.		
<b>B. PROVISIONS</b>		
Warranties	234.09	298.73
Leave Liability	421.96	371.54
Taxation (Net of advance payment, tax at source etc.)	212.04	298.26
Estimated Unearned Finance Charges Carried forward	—	2.31
	<u>868.09</u>	<u>970.84</u>
	<u>18346.54</u>	<u>21526.86</u>
<b>SCHEDULE 15 : MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off / adjusted)		
<b>DEFERRED REVENUE EXPENDITURE :</b>		
Payments under Voluntary Retirement Schemes	921.04	19.83
Preliminary expenses	—	1.62
	<u>921.04</u>	<u>21.45</u>

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	Rupees in lacs	
	2007-2008	2006-2007
<b>SCHEDULE 16 : SALES &amp; SERVICES</b>		
Finished Goods (including items Capitalised Rs.22.81 lacs (Rs.41.41 lacs) )	71871.10	68008.42
Trading Goods		
Vehicles	6785.16	5954.28
Service Parts (including own manufactured)	6328.21	6050.92
Job charges	199.60	—
Others	500.58	894.49
	<u>85684.65</u>	<u>80908.11</u>
<b>SCHEDULE 17: FINANCE CHARGES &amp; COMMISSION</b>		
Estimated Unearned Finance Charges Brought Forward from Previous year	2.31	2.37
	<u>2.31</u>	<u>2.37</u>
Less: Estimated Unearned Finance Charges carried forward to next year	—	2.31
	<u>2.31</u>	<u>0.06</u>
Less: Unearned Finance Charges Written Back	2.31	—
	<u>—</u>	<u>0.06</u>
<b>SCHEDULE 18 : OTHER INCOME</b>		
Dividend on Long Term Investments (Non Trade)	159.83	128.88
Interest on Debts, Deposits, Advances, Hirers etc. [Tax at source Rs.16.33 lacs (Rs.0.65 lacs)]	240.55	57.83
Insurance & Other Claims	21.04	10.91
Rent & Hire Charges	27.05	35.76
Miscellaneous Income	127.03	82.85
Items pertaining to previous years (Net)	—	9.04
Unspent Liabilities and Provisions no longer required written back	1017.64	530.51
Net surplus on fixed assets sold/discarded. (Refer Note No.13 on Schedule 25)	10308.88	7342.44
	<u>11902.02</u>	<u>8198.22</u>
<b>SCHEDULE 19 : DECREASE / (INCREASE) IN STOCKS</b>		
Closing Stock:		
Goods under Process	1414.76	1467.18
Finished Goods	721.84	1351.57
Trading Goods	1479.69	946.40
	<u>3616.29</u>	<u>3765.15</u>
Less: Opening Stock		
Goods under Process	1467.18	892.54
Finished Goods	1351.57	1311.10
Trading Goods	946.40	616.48
	<u>3765.15</u>	<u>2820.12</u>
	<u>148.86</u>	<u>(945.03)</u>
<b>SCHEDULE 20 : RAW MATERIALS AND COMPONENTS CONSUMED</b>		
Opening Stock	6204.83	5353.02
Add: Purchases	38460.23	42515.09
	<u>44665.06</u>	<u>47868.11</u>
Less: Transferred to Fixed Assets & Other Accounts	4.59	2.34
Sales	5.26	65.10
Closing Stock	4272.35	6204.83
	<u>4282.20</u>	<u>6272.27</u>
	<u>40382.86</u>	<u>41595.84</u>
<b>SCHEDULE 21 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
Salaries, Wages & Bonus	6387.75	5838.08
Contribution to Provident, Gratuity & Other Funds	1861.04	723.42
Welfare Expenses	431.45	421.33
	<u>8680.24</u>	<u>6982.83</u>

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	Rupees in lacs	
	2007-2008	2006-2007
<b>SCHEDULE 22 : OTHER EXPENSES</b>		
Rent & Hire Charges	173.23	144.94
Building Repairs	96.90	55.67
Machinery Repairs	318.48	239.63
Insurance	140.90	167.24
Rates & Taxes	151.27	511.34
Royalty (Refer Note No.20 on Schedule 25)	498.19	—
Selling Expenses, Service Charges, Claims etc. (Net)	3113.21	2551.80
Delivery Charges, Freight & Transportation etc. (Net)	227.38	547.40
Miscellaneous Expenses	2339.51	2350.99
Exchange Rate Difference (Net)	325.43	164.16
Directors' Travelling	50.40	33.79
Auditors' Remuneration:		
As Auditors	20.64	20.54
Other Services for issuing various certificates (Including Rs.12.00 lacs (Rs. 12.00 lacs) for Limited review of accounts)	28.38	32.32
Reimbursement of Service Tax, Travelling and other expenses	1.41	1.92
Cost Auditor's Remuneration	1.30	1.05
Deferred Revenue expenditure written off	481.91	216.20
Cash Discount	0.13	10.26
Items pertaining to previous years (Net)	18.12	—
Turnover and other Taxes	41.40	85.98
Provision for Doubtful debts, Claims, Advances etc.	224.40	35.18
Irrecoverable Debts, Claims & Advances written off	911.37	11.50
Provision against non performing assets	—	5.32
	<u>9163.96</u>	<u>7187.23</u>
<b>SCHEDULE 23 : INTEREST</b>		
On Fixed Loans & Deposits	1088.18	983.55
To Banks & Others	899.38 *	674.25
	<u>1987.56</u>	<u>1657.80</u>
* Refer Note No. 9 on Schedule 25.		
<b>SCHEDULE 24 : DEPRECIATION</b>		
On Fixed Assets	2119.37	2327.90
Less: Transfer from Capital Reserve being additional Depreciation on revalued Fixed Assets	1.07	1.07
	<u>2118.30</u>	<u>2326.83</u>

## SCHEDULE 25 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### 1. PRINCIPLES OF CONSOLIDATED FINANCIAL STATEMENTS :

The consolidated financial statements which relate to Hindustan Motors Ltd., its various subsidiary companies and the associate company 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 over 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 31.03.08
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 31.03.08
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 Preparation :

The financial statements have been prepared to comply in all material aspect with the Notified Accounting Standard by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. Except otherwise mentioned, the accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

#### (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.
- (c) Income on non-performing assets is recognised as per guidelines prescribed by the Reserve Bank of India.
- (d) Interest and Miscellaneous charges recoverable on overdue hires and rent from sub tenant are recognised on actual receipt 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.
- (d) Forward Exchange contracts :  
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) 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.

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- (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.
- (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 fixed assets added / disposed off during the year, is provided on pro-rata basis with reference to the month of addition / disposal.
- (g) 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) Intangibles :**

Acquired Computer software and licenses are capitalized on the basis of costs incurred to bring the specific intangibles to its intended use. These costs are amortized over their estimated useful life of three years.

**(IX) Investments :**

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.

**(X) Inventories :**

- (a) Inventories are valued at lower of cost computed on annual weighted / moving average basis and net realisable value 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.
- (c) Net realisable value is the selling price in the ordinary course of business, less costs of completion and costs necessary to make the sale.

**(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.

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**(XII) Research Cost :**

Research cost 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. The actuarial valuation is done on Projected Unit Credit method. Actuarial gains 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 and are written off in such equal annual installments that expenditure so deferred, are not carried forward to accounting periods commencing on or after 1st April, 2010.

**(XIV) Expenses relating to Shares / Debentures :**

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

**(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 the 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.



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**(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) Earnings per share :**

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

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

**(XXII) Deferred Revenue Expenditure :**

Deferred revenue expenditure are written off in such equal annual installments that expenditure so deferred, are not carried forward to accounting period commencing on or after 1st April, 2010.

	Rupees in lacs	
	March 31,2008	March 31,2007
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances).	177.71	495.04
4. Contingent Liabilities not provided for in respect of:		
(a) Claims & Government demands against the Company not acknowledged as debts.		
i) Excise Duty	5425.48	2092.44
ii) Sales Tax	9224.28	681.81
iii) Customs Duty	395.77	482.93
iv) Others	1143.69	1287.94

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. 353.87 lacs (Rs. 373.24 lacs).

Included in the above are contingent liabilities to the extent of Rs.1647.55 lacs (Rs.1084.79 lacs) relating to the pre transfer period for the erstwhile Power Unit Plant and Power Products Division of the



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Company, which were transferred to AVTEC Limited in June 2005. However, demands to the extent of Rs. 1155.55 lacs (Rs. 504.24 lacs) are covered by counter guarantees of the customers.

	Rupees in lacs	
	March 31, 2008	March 31, 2007
(b) Outstanding Bank Guarantees for import of materials and other accounts.	42.97	72.79
(c) Duty on import of Capital goods under Export Promotion Capital Goods Scheme (Rs.11.46 lacs).		Rs.14.33 lacs
(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). However, majority of the employee's unions have filed joint petition for withdrawal of the case.		
5. (a) Term Loans Rs. 4910.68 lacs (Rs. 9035.28 lacs) from the Financial Institutions and Banks together with interest and other charges thereon, are secured by a mortgage of 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 facilities from Banks Rs. 1396.80 lacs (Rs. 3271.61 lacs), together with interest and other charges thereon, are secured by a mortgage of 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.		
6. (a) Pending finalisation of agreements with workmen of Hindmotor Unit, 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. 3531.48 lacs (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.0.70 lacs (Rs.0.75 lacs) has arisen in respect of the Company's subsidiary HM Export Limited which has been debited to Profit & Loss Account		

The break-up of above Deferred Tax liability as on 31 March, 2008 is as follows :

	Rupees in lacs	
	March 31, 2008	March 31, 2007
(i) <b>Deferred Tax Liability</b>		
Timing difference in depreciable assets	0.70	0.76
(ii) <b>Deferred Tax Assets</b>		
Expenses allowable against taxable income in future years	-	0.01
Net Deferred Tax Liability ( i- ii )	0.70	0.75

8. Total Derivative contracts in respect of cross currency forward covers of JPY 5040 lacs (USD 51.17 lacs) and JPY 2000 lacs (Euro 12.73 lacs) are outstanding at the balance sheet date.

In view of the recent announcement made by The Institute of Chartered Accountants of India (ICAI) on "Accounting for Derivatives" there is a net gain of Rs.44.12 lacs in respect of all such outstanding derivative contracts (by marking them to market) as on the balance sheet date which has not been recognized by the Company as a matter of prudence.

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The Company has the following unhedged exposures in various foreign currencies as at the year end :

Sr. No	Particulars	Rupees in lacs	
		March 31,2008	March 31,2007
(i)	Trade Receivable	9.37	90.74
(ii)	Advances	85.07	83.43
(iii)	Trade Payable and Advance from Customers	657.94	1271.33
(iv)	Investment	163.09	44.74

9. Interest includes Rs. 262.57 lacs being the amount payable to Mitsubishi Motors Corporation, Japan (MMC) for delay in payment of Royalty & Technical Assistance Fees etc. for the period from 30th May, 2002 to 31st March, 2007.
10. Finance Lease agreement for assets valuing Rs. 45.11 Lacs has already expired. However these assets are yet to be transferred to the Company by the lessor pending compliance of necessary formalities.
11. Consumption of Raw materials, stores and spare parts includes profit/loss on sale thereof.
12. 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.
13. In terms of a Development Agreement entered by the Company, the Company has duly transferred land measuring 126.90 acres (61.509 acres) at Hindmotor by handing over physical possession thereof against payment to the developer, and profit of Rs 10320.10 lacs (Rs.5574.64 lacs) thereon has been included under the head "Other Income" in Schedule 18.

In terms of the said agreement, the Company will transfer further 125.591 acres land in 2 lots in the future periods at predetermined rates, over a period of next 12 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	
	<u>2007-08</u>	<u>2006-07</u>
14. <u>Managing Director's Remuneration :</u>		
Salary, Allowances etc.	49.48	43.72
Contribution to Provident and Other Funds	7.78	6.80
Others	13.06	13.53
	70.32	64.05
Directors' Fees	7.38	6.00
<b>Total</b>	<b>77.70</b>	<b>70.05</b>

	Rupees in lacs	
	<u>2007-08</u>	<u>2006-07</u>
15. <u>Earnings per Share (EPS)</u>		
In terms of Accounting Standard 20, the calculation of EPS is given below :-		
Profit after taxation as per accounts (Rs. in lacs)	3806.27	2399.52
Weighted average No. of Equity Shares outstanding during the year	161171993	161171993
Nominal value of Shares (Rs.)	10	10
Basic and Diluted EPS (Rs.)	2.36	1.49

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

Provisions	Balance as at 31.03.2007	Additions	Amount utilised	Amount written back	Balance as at 31.03.2008
Warranties	298.73	204.10	168.51	100.23	234.09

17. Disputed insurance claim aggregating to Rs.413.29 lacs (Rs. 413.29 lacs) has not been provided for, pending final settlement of relevant matters. However, the Company is hopeful to recover the above claim.

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:

	Rupees in lacs	
	<u>2007-08</u>	<u>2006-07</u>
(i) Principal amount remaining unpaid to any supplier at the end of accounting year.	1107.61	2642.30
(ii) Interest due on above	26.26	120.25
<b>Total of (I) &amp; (ii)</b>	<b>1133.87</b>	<b>2762.55</b>
(iii) Amount of interest paid by the Company to the suppliers	200.51	-
(iv) Amount paid to the suppliers beyond the respective due date	3547.39	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	-	-
(vi) Amount of interest accrued and remaining unpaid at the end of accounting year.	202.81	120.25
(vii) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of this Act.	-	-

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

	Rupees in lacs	
	<u>2007-08</u>	<u>2006-07</u>
<b>A. Defined Contribution Plan</b>		
Contribution to Provident Fund	508.27	484.45
Contribution to Super Annuation Fund	60.43	70.48

**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. The following tables summarise the components of net benefit expenses recognised in profit & loss account and the funded status and amount recognised in the balance sheet for the respective plan.

	Rupees in lacs	
	<u>2007-08</u>	<u>2006-07</u>
<b>SI Particulars</b>		
<b><u>Gratuity</u></b>		
<b>I Net Employee Expense/(benefit)</b>		
1 Current Service Cost	143.22	107.96
2 Interest cost on benefit obligation	151.61	196.00
3 Expected Return on plan assets	(86.98)	(79.40)
4 Net Actuarial gain/loss recognised in the year	1054.91	(94.71)
5 Total employee expenses recognised in Profit & Loss Account	1262.76	129.85

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

		Rupees in lacs	
		2006-08	2006-07
<b>SI</b>	<b>Particulars</b>		
	<b>Gratuity</b>		
<b>II</b>	<b>Actual return on plan assets</b>	104.99	90.54
<b>III</b>	<b>Benefit Asset/(Liability)</b>		
	1 Defined benefit obligation	2842.84	2317.98
	2 Fair Value of Plan Assets	1261.80	1086.88
	3 Benefit Asset/(Liability)	(1,581.04)	(1,231.10)
<b>IV</b>	<b>Movement in benefit liability</b>		
	1 Opening defined benefit obligation	2317.98	2513.66
	2 Interest cost	151.61	196.00
	3 Current Service Cost	143.22	107.96
	4 Benefits paid	(845.47)	(415.56)
	5 Actuarial ( gains)/losses on obligation	1075.50	(84.08)
	6 Closing benefit obligation	2842.84	2317.98
<b>V</b>	<b>Movement in fair value of plan assets</b>		
	1 Opening fair value of plan assets	1086.88	1121.86
	2 Return on plan assets(actual)	104.99	90.54
	3 Contribution by employer	724.00	290.04
	4 Benefits paid	(654.07)	(415.56)
	5 Closing fair value of plan assets	1261.80	1086.88
<b>VI</b>	<b>The Principal actuarial assumptions are as follows</b>		
	1 Discount Rate	8.00%	8.50%
	2 Salary increase	4.50%	3.50%
	3 Withdrawal Rate	Varying between 2% & 1% per annum depending upon duration and age of the employees.	
	4 Expected rate of return on Plan asset.	8.00%	8.00%
<b>VII</b>	<b>The major categories of Plan Assets as a percentage of fair value of the total plan assets.</b>		
	Investment with Insurer	100%	100%
<b>VIII</b>	<b>Amounts for the current and previous year are as follows.</b>		
	1. Defined benefit obligation	2842.84	2317.98
	2. Plan Assets	1261.80	1086.88
	3. Surplus/(Deficit)	(1,581.04)	(1,231.10)
	4. Experience adjustments on Plan Assets	Not Applicable	Not Applicable
	5. Experience adjustments on Plan Liabilities.	Not Applicable	Not Applicable

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 information in respect of defined benefit obligation prior to 2006-07 is not available and hence not furnished.
  - The Company expects to contribute Rs.136 lacs to the Gratuity fund in 2008-2009.
20. The License and Technical Assistance Agreement with Mitsubishi Motors Corporation, Japan (MMC) which expired in September 2005 has been amended with retrospective effect during the year, to renew the terms upto December, 2010. Consequently, royalty of Rs 308.40 lacs payable to MMC for the period from October 2005 to March 2007 has been accounted for during the year.
21. **Related Party Disclosures :**
- (a) **Name of the related parties :**
- |                          |                                     |
|--------------------------|-------------------------------------|
| Associate Company        | AVTEC Limited                       |
| Key Management Personnel | Mr. R. Santhanam, Managing Director |

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES  
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- (b) Aggregated Related Party Disclosures as at and for the year ended March 31, 2008 are as follows.  
(Transactions have taken place on arm's length basis) \*

	Rupees in lacs
Associate Company	
AVTEC Ltd.	
Sales	647.77
	(1,483.84)
Purchase	7987.81
	(8,380.50)
Interest ( Net )	87.83
	(26.98)
Creditors & Other Payables	1091.52
	(577.79)
Purchase of Investment	-
	(31.50)
Item pertaining to Previous year (Net)	0.37
	(-11.50)
Investment	6909.96
	(6,909.96)
Misc. Expenses	22.00
	(8.72)
Rent & Hire charges	12.06
	(10.72)
Dividend received	153.12
	(122.17)

- \* Excludes Rs. 70.32 lacs(Rs.64.05 lacs) being remuneration to the Managing Director as disclosed vide Note No. 14 above.

22. The Company's segment information as at and for the year ended March 31, 2008 are as below :-

	Rupees in lacs		
	Automobiles	Others	Total
(a) <b>Revenue</b> *			
External Net Sales	66396.85	176.31	66573.16
	(62766.51)	(210.41)	(62976.92)
(b) <b>Results</b>			
Segment Results	6823.64	-207.36	6616.28
	(3049.29)	(173.00)	(2876.29)
Unallocated Expenses net of unallocated Income			-50.87
			(11.06)
Profit			6565.41
			(2887.35)
Interest Expenses			1987.56
			(1657.80)

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES  
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	Rupees in lacs		
	Automobiles	Others	Total
Current Tax			1784.70
			(291.25)
Mat Credit Entitlement			-113.99
			(-395.00)
Fringe Benefit Tax			65.29
			(59.66)
Deferred Tax			-0.05
			(0.08)
Excess Provision for Taxation Written Back			-234.47
			(-0.09)
<b>Net Profit/Loss (-) after Tax before share of Profit/Loss of associate</b>			<b>3076.37</b>
			(1273.65)
Share of Profit/Loss (-) of associate			729.90
			(1125.87)
<b>Net Profit/Loss (-)</b>			<b>3806.27</b>
			(2399.52)
<b>(c) Total Assets</b>			
Segment Assets	36621.58	106.47	36728.05
	(42713.09)	(111.99)	(42825.08)
Unallocated Corporate Assets			10100.53
			(10363.64)
			<b>46828.58</b>
			<b>(53188.72)</b>
<b>(d) Total Liabilities</b>			
Segment Liabilities	19782.46	77.31	19859.77
	(20946.59)	(96.00)	(21042.59)
Unallocated Corporate Liabilities (including Loans)			11122.62
			(19911.49)
			<b>30982.39</b>
			<b>(40954.08)</b>
<b>(e) Other Information</b>			
(i) Non cash expenses included in segment expenses for arriving at Segment Results (Deferred Revenue Expenses written off).	480.34	1.57 **	481.91
** Unallocated portion	(214.58)	(1.62) **	(216.20)
(ii)	<b>Capital Expenditure</b>	<b>Depreciation</b>	
	<u>2007-08</u>	<u>2006-07</u>	<u>2007-08</u>
			<u>2006-07</u>
Automobiles	1076.86	1524.84	2098.78
Others	0.43	3.42	19.52
	<u>1077.29</u>	<u>1528.26</u>	<u>2118.30</u>
			<u>2326.83</u>
<b>(f) Geographical Segments Revenue *</b>			
		<u>2007-2008</u>	<u>2006-2007</u>
India		66301.75	62183.92
Overseas		271.41	793.00
		<u>66573.16</u>	<u>62976.92</u>
* Net of Excise Duty, Sales Tax and Value Added Tax.			

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

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 segment :

Automobiles - Consists of manufacture and sale of Passenger Cars, Utility Vehicles and Components & Accessories thereof.  
Others - Service Operations consisting of 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.

23. Excise duty on stocks represents differential excise duty on opening and closing inventories.

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

	Rupees in lacs	
	<u>2007-08</u>	<u>2006-07</u>
<u>EXPENSES</u>		
Raw Materials and Components	21.75	38.27
Stores and Spares	90.55	86.17
Building Repairs	0.50	0.34
Machinery Repairs	116.49	107.35
Selling Expenses, Service Charges, Claims etc.	0.39	9.00
Interest	-	0.32

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

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

Signatures to Schedules 1 to 25

As per our report of even date

**S.R.Batliboi & Company**

*Chartered Accountants*

Per **R.K. Agrawal**

*a Partner*

Membership No.16667

Camp : New Delhi

May 08, 2008

**Yogesh Goenka**  
*Chief Financial Officer &  
Company 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 No.	_____
DP ID	_____
Client ID	_____
No. of Shares	_____

I hereby record my presence at the **66th Annual General Meeting** of the Company held on Tuesday, the 5th August, 2008 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 .....

of .....or failing him

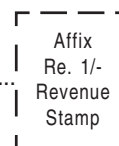
.....of .....

as my/our proxy to attend and vote for me/us on my/our behalf at the 66th Annual General Meeting of the Company to be held on Tuesday, the 5th August, 2008 and / or at any adjournment thereof.

Signed this ..... day of ....., 2008

Folio No.	_____
DP ID	_____
Client ID	_____
No. of Shares	_____

Signature .....



**Note :** 1. 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. A proxy need not be a member of the Company.





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