



**Hindustan Motors Limited**

Annual Report  
&  
Accounts 2013-2014

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# HINDUSTAN MOTORS LIMITED

## ANNUAL REPORT

### 6 Month Period Ended March 31, 2014

#### Board of Directors

Shri C. K. Birla, (Chairman up to 27.12.2013)  
Shri Naresh Chandra (up to 05.02.2014)  
Shri Pradip Kumar Khaitan (up to 28.05.2014)  
Dr. Anand C. Burman (up to 25.12.2013)  
Shri Kranti Sinha (up to 08.05.2014)  
Shri A. Sankaranarayanan  
Shri Sanjay Basu (w.e.f. 06.02.2014)  
Shri Raj Kamal Johri (w.e.f. 06.02.2014)  
Shri Gautam Dutta, IDBI Nominee  
Shri Uttam Bose (Managing Director up to 09.05.2014 and  
Director w.e.f. 10.05.2014)

#### Manager / Chief Executive Officer

Shri Moloy Chowdhury (w.e.f. 10.05.2014)

#### Chief Financial Officer and

#### Company Secretary

Shri Yogesh Goenka (up to 09.05.2014)

#### Company Secretary

Shri Tarun Kumar Kabra (w.e.f. 10.05.2014)

#### Chief Financial Officer

Shri Aniruddha Sarkar (w.e.f. 10.05.2014)

#### Bankers

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

#### Statutory Auditors

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

#### Cost Auditors

Messrs. Shome & Banerjee  
Cost Accountants  
5A, Nurulla Doctor Lane (West Range)  
2nd Floor, Kolkata - 700 017

#### Share Transfer Agents

Karvy Computershare Private Limited  
Plot Nos. 17 to 24 Vittal Rao Nagar, Madhapur, Hyderabad - 500 081  
Telephone No. : (040) 2342 0818, Fax No. : (040) 2342 0814  
E-mail : einward.ris@karvy.com; suresh.d@karvy.com  
Kolkata Office : (033) 6619 2841 - 42

#### Registered Office

'Birla Building', 14th Floor  
9/1, Rajendra Nath Mukherjee Road, Kolkata - 700 001  
Tel : +91 033 2242 0932/3057 3700/3041 0900, Fax : +91 033 2248 0055  
E-mail : hmcosecy@hindmotor.com; Website : www.hindmotor.com

CIN : L34103WB1942PLC018967

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## Notice to the Shareholders

NOTICE is hereby given that the Seventy-second Annual General Meeting of the Shareholders of HINDUSTAN MOTORS LIMITED will be held at Rotary Sadan, 94/2 Chowringhee Road, Kolkata-700020, on Thursday, the 25th September, 2014 at 11.15 AM 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 six month period ended 31st March, 2014.
- (2) To appoint a Director in place of Shri A. Sankaranarayanan (DIN-00385632) who retires by rotation and being eligible offers himself for re-appointment.
- (3) 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 pursuant to provisions of Section 139 of the Companies Act, 2013 and Rules made thereunder, Messrs. Ray & Ray, Chartered Accountants (Registration No. 301072E) , be and are hereby appointed as Auditors of the Company to hold office from the conclusion of 72nd Annual General Meeting (AGM) to the conclusion of 77th AGM (subject to ratification of appointment by the shareholders at every AGM held after this AGM) and that Board of Directors of the Company be and is hereby authorized to fix such remuneration as may be determined by the Audit Committee in consultation with auditors and that such remuneration may be paid on progressive billing basis to be agreed upon between the auditors and the Board of Directors."

### AS SPECIAL BUSINESS :

- (4) To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Rules made thereunder,(including any statutory modification(s) or re-enactment(s) thereof for the time being in force), Shri Raj Kamal Johri (DIN-06804524) who was appointed as an Additional Director of the Company pursuant to the provisions of Section 161 of the Companies Act, 2013 and Article 86 of the Articles of Association of the Company with effect from 6th February, 2014 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received notice in writing from a shareholder under Section 160 of the Companies Act, 2013 signifying his intention to propose Shri Raj Kamal Johri as a candidate for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office from the conclusion of Seventy-second Annual General Meeting till the conclusion of Seventy-seventh Annual General Meeting of the Company."

- (5) To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Rules made thereunder,(including any statutory modification(s) or re-enactment(s) thereof for the time being in force), Shri Sanjay Basu (DIN-01225331) who was appointed as an Additional Director of the Company pursuant to the provisions of Section 161 of the Companies Act, 2013 and Article 86 of the Articles of Association of the Company with effect from 6th February,

2014 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received notice in writing from a shareholder under Section 160 of the Companies Act, 2013 signifying his intention to propose Shri Sanjay Basu as a candidate for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office from the conclusion of Seventy-second Annual General Meeting till the conclusion of Seventy-seventh Annual General Meeting of the Company."

- (6) To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Rules made thereunder,(including any statutory modification (s) or re-enactment(s) thereof for the time being in force), Shri Uttam Bose (DIN-02340000) who was appointed as an Additional Director of the Company pursuant to the provisions of Section 161 of the Companies Act, 2013 and Article 86 of the Articles of Association of the Company with effect from 10th May, 2014 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received notice in writing from a shareholder under Section 160 of the Companies Act, 2013 signifying his intention to propose Shri Uttam Bose as a candidate for the office of Director, be and is hereby appointed as a Director of the Company whose office shall be liable to retire by rotation."

- (7) To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution** :

"RESOLVED THAT in supersession of the earlier resolution passed by the Company with respect to borrowing powers of the Board of Directors of the Company at the Annual General Meeting held on 20th August, 1997, consent of the Company be and is hereby accorded pursuant to Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) to the Board of Directors of the Company (Board) to borrow money(s) for the purpose of Company's business in any manner from time to time and upon such terms and conditions as they may think fit, notwithstanding that the money(s) to be borrowed together with the money(s) already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), may exceed the aggregate of the paid up share capital of the Company and its free reserves, provided that the total amount so borrowed by the Board and remaining outstanding at any time shall not exceed in aggregate ₹ 250 crores (Rupees Two hundred fifty crores).

RESOLVED FURTHER THAT the Board including any Committee thereof be and is hereby authorized to do all such acts, deeds, matters and things as may be considered necessary, expedient or desirable and to settle any question that may arise thereto in order to give effect to the aforesaid resolution."

- (8) To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution** :

"RESOLVED THAT in supersession of the earlier resolutions passed by the Company with respect to creation of mortgages and/or charges at the Annual General Meeting held on 8th September, 1999, consent of the Company be and is hereby accorded pursuant to Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof) and subject to the approval of financial institutions/Banks and further subject to such other consents, sanctions, approvals or permissions, as may be necessary, to the creation by the Board of Directors of the Company (Board)of such mortgages and/or charges in addition to the existing mortgages and charges created by the Company as the

Board may direct, on such of the assets of the Company, both present and future, in such a manner as the Board may direct, together with power to take over the management of the Company in certain events, to or in favour of all or any of the financial institutions/banks/any other investing agencies/Trustees for the holders of debentures /bond/other instruments which may be issued to and subscribed by all or any of the financial institutions/banks/any other investing agencies or any other person(s)/bodies corporate by private placement or otherwise, to secure rupee/foreign currency loans, debentures, bonds or other instruments of an equivalent aggregate value not exceeding ₹ 200 crores (Rupees Two hundred crores) together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, costs, charges, expenses and all other monies payable by the Company to the aforesaid parties or any of them under the Agreements/Arrangements entered into/to be entered into by the Company in respect of the said loans, debentures, bonds or other instruments.

RESOLVED FURTHER THAT the Board including any Committee thereof, be and is hereby authorized to finalise with the aforesaid parties or any of them, the documents for creating the mortgages and/or charges and accepting or making any alterations, changes, variations to or in the terms and conditions, to do all such acts, deeds, matters and things and to execute all such documents and writings as it may consider necessary, for the purpose of giving effect to this Resolution."

- (9) To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution** :

"RESOLVED THAT, pursuant to the provisions of Article 108 of the Articles of Association of the Company, Sections 196, 197, 198 and 203, read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and subject to such consents, approvals and permissions as may be needed, Shri Moley Chowdhury be and is hereby appointed as Manager of the Company for a period of two years with effect from 10th May, 2014, at a remuneration and on other terms of employment set out below :

- |  |   |
|--|---|
| 1. Salary (basic) per month :            | ₹ 145000/- (Rupees one lac forty-five thousand)   |
| 2. Perquisites (including allowances) :- |   |
| a) Special Allowance                     | Monthly Special Allowance of 100% of the Salary (basic).  |
| b) Leave Travel Allowance                | The yearly payment in the form of allowance shall be equivalent to one month's salary (basic).  |
| c) House Rent Allowance                  | Monthly House Rent Allowance of 60% of the Salary (basic).  |
| d) Medical reimbursement                 | Expenditure incurred by the Manager and his family, subject to a ceiling of Rs.40,000/- (Forty thousand) per annum.                                       |
| e) Club Fees                             | Actual fees for one club, subject to a maximum of Rs. 50,000/- (Fifty thousand) per annum. This will not include Admission fees and life membership fees. |
| f) Hospitalisation Insurance Scheme      | As per the scheme of the Company, Hospitalisation Insurance coverage shall be provided for the Manager and dependent family members.                      |

- g) Contribution to Provident Fund and Gratuity will be as per the Rules / Scheme of the Company.
- h) Leave as per the Rules of the Company. Encashment of unavailed leaves at the end of the tenure or at specified intervals will be as per Scheme of the Company.
- i) Provision of one car with driver for use in relation to Company's business will not be considered as perquisites.

3. Performance Variable Pay :

In addition to the above, the Manager shall be entitled for a Performance Variable Pay of a maximum of ₹ 10,00,000/- (Rupees Ten lacs) per annum. The exact quantum payable will be based on extent of achievement against the deliverables as decided by the Board of Directors or Nomination and Remuneration Committee of Directors of the Company from time to time. The payment of Performance Variable Pay during a financial year will be proportionate to the months worked.

4. Minimum Remuneration :

The remuneration specified at Sl. Nos.1 to 3 above subject to approval of Central Government, if required shall be paid to Shri Moloy Chowdhury as and by way of Minimum Remuneration notwithstanding any loss or inadequacy of profit in any financial year during the tenure of his employment as Manager.

RESOLVED FURTHER THAT the tenure of the employment of Shri Moloy Chowdhury as Manager of the Company is terminable by either side with a notice period of three months or Company paying three months salary (basic) in lieu of such notice.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

(10) To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to Sections 42, 62 and other relevant provisions of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) read with Rule 14 of Companies (Prospectus and Allotment of Securities) Rules, 2014 and subject to the Listing Agreements entered into by the Company with the National Stock Exchange of India Limited, the BSE Limited and the Calcutta Stock Exchange Limited (collectively the "Stock Exchanges") where the Equity Shares of the Company are listed and SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("SEBI ICDR Regulations") (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and other applicable rules, regulations, clarifications and/or guidelines, if any, of SEBI and such other authorities as may be applicable and subject to requisite approvals or consents, if any, of the banks and financial institutions and any regulatory authority, where necessary and further subject to such terms, conditions, stipulations and modifications as may be prescribed, imposed or suggested by any of the authorities including the Stock Exchanges which the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution) be and is hereby authorized to accept subject to such conditions and modifications as may be considered appropriate by the Board, consent of the

Company be and is hereby accorded to the Board to offer, issue and allot on preferential basis, at its sole and absolute discretion, up to 2,38,87,300 Equity Shares of ₹ 5 (Rupees Five only) each fully paid up at ₹ 9.44 (Rupees Nine and Paise Forty-four only) each (including a premium of ₹ 4.44 [Rupees Four and Paise Forty-four only]) computed in accordance with Regulation 76 of the SEBI ICDR Regulations to the following entities on private placement basis under Corporate Debt Restructuring Package as approved by Corporate Debt Restructuring Empowered Group (CDR EG) at its meeting held on 28th June, 2014 against the recompense of interest amount as on 31st March, 2014 for an aggregate consideration of not exceeding ₹ 22,54,96,112/- (Rupees Twenty-two crores Fifty-four lacs Ninety-six thousand One hundred Twelve) :

| Name of Allottee(s)                 | No. of Equity Shares |
|-------------------------------------|----------------------|
| ICICI Bank Limited                  | 1,07,43,600          |
| IDBI Bank Limited                   | 44,48,500            |
| IFCI Limited                        | 34,04,100            |
| Life Insurance Corporation of India | 14,27,000            |
| UCO Bank                            | 7,31,000             |
| Bank of India                       | 14,95,100            |
| United Bank of India                | 9,36,500             |
| State Bank of India                 | 3,27,700             |
| Bank of Baroda                      | 3,73,800             |
| <b>Total</b>                        | <b>2,38,87,300</b>   |

RESOLVED FURTHER THAT the allotment of Equity Shares pursuant to this resolution shall be made by the Board within 15 days from the date of receipt of approval of the shareholders or in principle approval of the stock exchanges, whichever is later or as specified under Regulation 74 of the SEBI ICDR Regulations, and where it is so required by any authority including the Stock Exchanges, the Board shall have full powers to re-compute the price of the Equity Shares to be issued and allotted against recompense of interest amount.

RESOLVED FURTHER THAT the 'Relevant Date' in relation to the issue of Equity Shares in accordance with Chapter VII of the SEBI ICDR Regulations, would be 27th June, 2014, being preceding day of meeting (28th June, 2014 being weekend) of Corporate Debt Restructuring Empowered Group at which the issue of equity shares was approved.

RESOLVED FURTHER THAT the Equity Shares so issued and allotted shall rank *pari passu* in all respects with the existing Equity Shares of the Company.

RESOLVED FURTHER THAT the Equity Shares so issued and allotted as above shall be subject to the lock-in for a period of one year from the date of trading approval in accordance with SEBI ICDR Regulations.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do and carry out all such acts, deeds, matters and things as it may in its sole discretion deem necessary for such purpose, including without limitation, appointment of consultants, solicitors, merchant bankers or any other agencies as may be required, and entering into arrangements for listing, trading, depository services and such other arrangements and agreements as may be necessary, and also to seek listing of the Equity Shares issued with the Stock Exchanges with full powers to settle any question, difficulty or doubt that may arise at any time in relation to the issue or allotment of said Equity Shares and utilization of issue proceeds.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors, Director or Directors or the Manager or any other Officer or Officers of the Company to give effect to the aforesaid resolution."



(11) To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to the provisions of Sections 42, 71 and all other applicable provisions of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and Rule 18 of Companies (Share Capital and Debentures) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and subject to the provisions of the Articles of Association of the Company, consent of the Company be and is hereby accorded to authorize the Board of Directors of the Company to offer or invite subscription up to ₹ 2,053 lacs (Two Thousand Fifty-three lacs ) 10.25 % Secured Non-Convertible Debentures, of ₹ 1 (Rupee One only) each aggregating to ₹ 2,053 lacs (Rupees Two Thousand Fifty-three lacs only ) on private placement to the following lenders under Corporate Debt Restructuring Package as approved by Corporate Debt Restructuring Empowered Group (CDR EG) at its meeting held on 28th June, 2014 against the recompense of interest amount as on 31st March, 2014 on such terms and conditions as approved by CDR EG or as may be approved by lenders or by CDR EG from time to time.

| <b>Name of Allottee(s)</b>          | <b>No. of Debentures</b> |
|-------------------------------------|--------------------------|
| ICICI Bank Limited                  | 10,14,19,707             |
| IDBI Bank Limited                   | 2,17,94,588              |
| IFCI Limited                        | 3,21,34,833              |
| Life Insurance Corporation of India | 1,34,71,413              |
| UCO Bank                            | 69,00,978                |
| Bank of India                       | 1,41,14,546              |
| United Bank of India                | 88,40,635                |
| State Bank of India                 | 30,94,338                |
| Bank of Baroda                      | 35,28,962                |
| <b>Total</b>                        | <b>20,53,00,000</b>      |

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors, Director or Directors or the Manager or any other Officer or Officers of the Company to give effect to the aforesaid resolution."

Registered Office :  
 'Birla Building', 14th Floor  
 9/1, Rajendra Nath Mukherjee Road  
 Kolkata 700 001  
 Dated, the 22nd August, 2014

By Order of the Board  
 For HINDUSTAN MOTORS LTD.

**Tarun Kumar Kabra**  
 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.



**A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.**

2. Information about the Directors proposed to be appointed/reappointed 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 appointments/re-appointments of such Directors.
3. A Statement pursuant to Section 102(1) of the Companies Act, 2013, relating to the Special Business to be transacted at the Meeting is annexed hereto.
4. 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.
5. 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(s) in the Attendance Slip for attending the meeting.
6. 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 and Share Transfer Agents, Karvy Computershare Private Limited at Plot Nos.17 to 24 Vittal Rao Nagar, Madhapur, Hyderabad - 500081 for consolidation of all such shareholdings into one account to facilitate better service.
7. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, the 18th September, 2014 to Thursday, the 25th September, 2014 (both days inclusive).
8. (a) Members are requested to notify change of address, if any, with PINCODE to the Company or to its Registrar and 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.
9. A member desirous of getting any information on the accounts or operations of the Company or share 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.
10. 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 Karvy Computershare Private Limited, Hyderabad, the Registrar and Share Transfer Agents of the Company.
11. In all correspondence with the Company or with its Registrar and 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.
12. The shares of the Company are in compulsory demat segment. Those shareholders who still continue to hold shares in physical form, are requested to get their shares dematerialised at the earliest.

13. Securities and Exchange Board of India vide its circulars dated 27th April, 2007 and 25th June, 2007 has made it mandatory with effect from 2nd July, 2007 for every participant in the securities/capital market to furnish income tax Permanent Account Number (PAN). Accordingly, all the shareholders (including joint holders) holding shares in physical form are requested to submit copy of their PAN Card duly attested by the Notary Public/Gazetted Officer/Bank Manager under their official seal stating their full name and address, registration number to the Registrar & Share Transfer Agents, Karvy Computershare Private Limited.
14. The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" allowing paperless compliances by Companies through electronic mode. Companies are now permitted to send various notices /documents to its shareholders through electronic mode to the registered e-mail addresses of shareholders. Keeping in view the underlying theme and the circular issued by MCA, the Company proposes to send all documents to Shareholders like General Meeting Notices (including AGM), Audited Financial Statements, Directors' Report, Auditors' Report etc. to the shareholders through e-mail. Shareholders holding shares in dematerialized form are requested to register their e-mail ID with their Depository Participants and shareholders holding shares in physical form are requested to register their e-mail ID with Registrar and Share Transfer Agents of the Company i.e., Karvy Computershare Pvt. Limited, Plot Nos. 17 to 24 Vittal Rao Nagar, Madhapur, Hyderabad 500 081 for sending documents through e-mail.
15. The Notice of the 72nd AGM and instruction for e-voting, along with the Attendance Slip and Proxy Form, is being sent by electronic mode to all the members whose email addresses are registered with the Company/Depository Participant(s) for Communication purpose unless any member has requested for a hard copy of the same. For members who have not registered their email addresses, physical copies of the Annual Report 2014 are being sent by permitted mode.
16. Members may also note that the Notice of the 72nd AGM and the Annual Report 2013-2014 will be available on the Company's website : [www.hindmotor.com](http://www.hindmotor.com).
17. Voting through Electronic means : In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management & Administration) Rules, 2014, the Company is pleased to provide members facility to exercise their right to vote at the 72nd Annual General Meeting by electronic means and the business may be transacted through e-voting services provided by Karvy Computer Share Private Limited.
18. The Securities and Exchange Board of India (SEBI) vide its Circular dated 21st March, 2013 has provided that companies making cash payments to their investors shall use approved electronic mode of payment such as ECS, NECS, NEFT etc. To enable usage of electronic payment instruments, companies are required to maintain requisite bank details of their investors. Therefore Shareholders of the Company who hold shares in physical form are requested to submit the following information under their signatures to Registrar and Share Transfer Agents of the Company i.e., Karvy Computershare Pvt. Limited for registering bank details if not already registered earlier:-
  - a) Name of the sole/first joint-holder
  - b) Folio number
  - c) Name of the Bank
  - d) Address of the Bank branch with Pin code
  - e) Bank Account No.
  - f) Type of Bank account whether saving or current
  - g) MICR Code and
  - h) IFSC Code
19. All relevant documents referred in the Notice and Explanatory Statement will be available for inspection by the shareholders at the Registered Office of the Company between 10 AM and 12 Noon on any working day of the Company up to the date of the meeting.

## **Annexure to the Notice Explanatory Statement**

The following Explanatory Statement relating to Special Business at item Nos. 4 to 11 of the accompanying Notice sets out all material facts as required under Section 102 of the Companies Act, 2013 ("the Act").

### **Item No. 4**

The Board of Directors of the Company appointed, pursuant to the provisions of Section 161 of the Act and the Articles of Association of the Company, Shri Raj Kamal Johri as an Additional Director of the Company with effect from 6th February, 2014.

In terms of the provisions of Section 161 of the Act, Shri Raj Kamal Johri will hold office up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a shareholder along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Shri Raj Kamal Johri for the office of Director of the Company.

Shri Raj Kamal Johri is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director.

The Company has received a declaration from Shri Raj Kamal Johri that he meets with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and under Clause 49 of the Listing Agreement.

In terms of Section 149 and other applicable provisions of the Act, Shri Raj Kamal Johri being eligible, is proposed for appointment as Independent Director for five consecutive years on the Board of the Company.

In the opinion of the Board, Shri Raj Kamal Johri fulfills the conditions for his appointment as an Independent Director as specified in the Act and the Listing Agreement. Shri Raj Kamal Johri is independent of the management.

Keeping in view his vast expertise and knowledge, it will be in the interest of the Company that Shri Raj Kamal Johri is appointed as an Independent Director.

Copy of the draft letter for appointment of Shri Raj Kamal Johri as an Independent Director setting out the terms and conditions is available for inspection by shareholders at the Registered Office of the Company.

Except Shri Raj Kamal Johri, none of the Directors, Manager, other Key Managerial Personnel and their relatives are in any way concerned or interested, financial or otherwise, in the aforesaid Resolution.

The Board recommends the Ordinary Resolution set out at Item No. 4 of the Notice for approval by the shareholders.

The information as required in terms of Clause 49 of the Listing Agreement is given in Corporate Governance Report annexed to the Directors' Report.

### **Item No. 5**

The Board of Directors of the Company appointed, pursuant to the provisions of Section 161 of the Act and the Articles of Association of the Company, Shri Sanjay Basu as an Additional Director of the Company with effect from 6th February, 2014.

In terms of the provisions of Section 161 of the Act, Shri Sanjay Basu will hold office up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a shareholder along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Shri Sanjay Basu for the office of Director of the Company.

Shri Sanjay Basu is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director.

The Company has received a declaration from Shri Sanjay Basu that he meets with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and under Clause 49 of the Listing Agreement.

In terms of Section 149 and other applicable provisions of the Act, Shri Sanjay Basu being eligible, is proposed for appointment as Independent Director for five consecutive years on the Board of the Company.

In the opinion of the Board, Shri Sanjay Basu fulfills the conditions for his appointment as an Independent Director as specified in the Act and the Listing Agreement. Shri Sanjay Basu is independent of the management.

Keeping in view his vast expertise and knowledge, it will be in the interest of the Company that Shri Sanjay Basu is appointed as an Independent Director.

Copy of the draft letter for appointment of Shri Sanjay Basu as an Independent Director setting out the terms and conditions is available for inspection by members at the Registered Office of the Company.

Except Shri Sanjay Basu, none of the Directors, Manager, other Key Managerial Personnel and their relatives are in any way concerned or interested, financial or otherwise, in the aforesaid Resolution.

The Board recommends the Ordinary Resolution set out at Item No. 5 of the Notice for approval by the shareholders.

The information as required in terms of Clause 49 of the Listing Agreement is given in Corporate Governance Report annexed to the Directors' Report.

**Item No. 6**

The Board of Directors of the Company appointed, pursuant to the provisions of Section 161 of the Act and the Articles of Association of the Company, Shri Uttam Bose as an Additional Director of the Company with effect from 10th May, 2014.

In terms of the provisions of Section 161 of the Act, Shri Uttam Bose will hold office up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a shareholder along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Shri Uttam Bose for the office of Director of the Company.

Shri Uttam Bose is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director.

In the opinion of the Board, Shri Uttam Bose fulfills the conditions for his appointment as a Director as specified in the Act and the Listing Agreement.

Keeping in view his vast expertise and knowledge, it will be in the interest of the Company that Shri Uttam Bose is appointed as a Director.

Except Shri Uttam Bose, none of the Directors, Manager, other Key Managerial Personnel and their relatives are in any way concerned or interested, financial or otherwise, in the aforesaid Resolution.

The Board recommends the Ordinary Resolution set out at Item No. 6 of the Notice for approval by the shareholders.

The information as required in terms of Clause 49 of the Listing Agreement is given in Corporate Governance Report annexed to the Directors' Report.

**Item No. 7**

The Company at its Annual General Meeting held on 20th August, 1997 authorised the Board of Directors of the Company by way of Ordinary Resolution under Section 293(1)(d) of the Companies Act, 1956 to borrow moneys, for the purpose of Company's funds requirement, in excess of the aggregate of the paid up capital of the Company and its free reserve provided that the sum or sums so borrowed and remaining outstanding at any point of time shall not exceed ₹ 1000 crores.

However, pursuant to provisions of Section 180(1)(c) of the Act, the Board can exercise of such borrowing power only with the approval of the shareholders of the Company by way of Special Resolution. Further the borrowing limit of ₹ 1000 crores is proposed to be reduced to ₹ 250 Crores in view of reduction in funds requirements.

None of the Directors, Manager, other Key Managerial Personnel and their relatives are in any way concerned or interested, financial or otherwise, in the aforesaid Resolution.

The Board commends the Special Resolution set out at Item No. 7 of the Notice for approval by the shareholders.

**Item No. 8**

The Company at its Annual General Meeting held on 8th September, 1999 authorised the Board of Directors of the Company by way of Ordinary Resolution under Section 293(1)(a) of the Companies Act, 1956 to create mortgages and/or charges on the assets of the Company in favour of the lenders to secure their financial assistance not exceeding in aggregate of ₹ 750 crores as contained in the aforesaid Resolution.

However, pursuant to provisions of Section 180(1)(a) of the Act, the Board can exercise the aforesaid power of creating mortgages and/or charges only with the approval of the Shareholders of the Company by way of Special Resolution. It is also proposed to reduce the earlier limit of ₹ 750 crores to ₹ 200 Crores.

None of the Directors, Manager, other Key Managerial Personnel and their relatives are in any way concerned or interested, financial or otherwise, in the aforesaid Resolution.

The Board recommends the Special Resolution set out at Item No. 8 of the Notice for approval by the shareholders.

**Item No. 9**

To fill in the vacancy caused by resignation of Shri Uttam Bose, the Board Members considered in the interest of the Company, to appoint Shri Moloy Chowdhury, as Manager of the Company.

Accordingly, the Board Members at its meeting held on 10th May, 2014, has appointed Shri Moloy Chowdhury as Manager for a period of two years with effect from 10th May, 2014. The salient terms and conditions of the appointment are set out in the Resolution in Item No. 9 of the subjoined Notice.

The appointment and remuneration payable to Manager has also been recommended by Nomination and Remuneration Committee of Directors at its Meeting held on 9th May, 2014.

The appointment is subject to the approval of the shareholders in General Meeting and Central Government, if required.

**The information required pursuant to Section II of Part II of Schedule V of the Companies Act, 2013 are as under:**

**I. GENERAL INFORMATION**

- (1) Nature of Industry :  
Manufacture of Automobiles and Components namely Castings, Forgings and Stampings.
- (2) Date or expected date of commencement of commercial production :  
The Company, incorporated in the year 1942, is an existing operating Company.

- (3) Financial performance based on given indicators : ₹ in lacs

| Financial Year ended                           | 31.03.2014<br>(6 months) | 30.09.2013<br>(18 months) | 31.03.2012<br>(12 months) |
|--|--------------------------|---------------------------|---------------------------|
| Gross Revenue from Operations                  | 22581.37                 | 88077.69                  | 59192.87                  |
| Net Revenue form Operations                    | 18278.11                 | 72289.45                  | 49547.57                  |
| Profit/(Loss) before Exceptional Items and Tax | (10345.44)               | (15999.31)                | (13396.45)                |
| Exceptional items                              | 10274.60                 | 8001.22                   | 10056.06                  |
| Profit/(Loss) before Tax                       | (70.84)                  | (7998.09)                 | (3340.39)                 |
| Tax Expenses                                   | 236.57                   | (877.74)                  | (344.73)                  |
| Profit/(Loss) for the Year                     | (307.41)                 | (7120.35)                 | (2995.66)                 |
| Equity Share Capital                           | 9247.08                  | 9247.08                   | 8657.08                   |

- (4) Foreign investments or collaborators, if any :

The Company has a wholly owned subsidiary in USA, which is being closed.

## II. INFORMATION ABOUT THE APPOINTEE

- (1) **Background details :**

**Education :** Shri Moloy Chowdhury, Manager of the Company is a Bachelor of Engineering (Mechanical).

**Career :** Shri Moloy Chowdhury is a professional with Bachelor of Engineering (Mechanical) and having over 36 years of industrial and managerial experience including more than 15 years in senior management capacity. He was Executive Vice-President of Uttara Division of the Company during the period 2006 to 2010. After a brief stint outside the Company he again joined the Company as SBU Head- Uttara and Pithampur Plants in October, 2013. During his career Shri Moloy Chowdhury has worked with Texmaco Rail & Engineering Limited, Ernst & Young, Govind Rubber Limited, Fenner India Limited, CEAT Limited and Philips India.

Shri Moloy Chowdhury has rich and vast experience in automobile and engineering industries.

- (2) **Past remuneration :** ₹ in lacs

| 2013-14 | 2012-13 |
|---------|---------|
| 13.80   | 6.00    |

- (3) **Job profile and his suitability :**

The Manager is entrusted with the management of the whole or substantially the whole of the affairs of the Company subject to superintendence, control and directions of the Board of Directors of the Company. He shall have responsibility and authority as Manager under the Companies Act, 2013/1956 and shall also perform such duties and exercise such powers as have been or may from time to time be entrusted to or conferred upon him by the Board.

Shri Moloy Chowdhury is a Senior Corporate Executive of proven caliber and excellence and is having wide ranging experience in manufacturing, quality development, supply chain management and corporate strategies. He has experience of management of all aspects in an organisation. He has successfully led many strategic initiatives, re-engineering of operations, increasing efficiencies, operation cost reduction, value addition to products and services through innovation. His main strengths have been building effective and motivated teams, lean manufacturing, market positioning, business development, supply management, cost optimization and working capital management.

The professional services of Shri Moloy Chowdhury and his in-depth knowledge of industry would be very valuable for the Company in the context of the present situation in the Company. With sufficient past experience in manufacturing and business development, Shri Moloy Chowdhury is ideally suited for the position.

- (4) **Remuneration proposed:**

As mentioned in Item No.9 of the Notice of the Annual General Meeting.

- (5) **Comparative remuneration profile with respect to industry, size of the company, profile of the position and person :**

The executive remuneration in the industry has increased manifold in last few years. Having regard to type of industry, trends in industry, size of the Company, the responsibilities, academic background and capabilities of Shri Moloy Chowdhury, the proposed remuneration is at par with the remunerations being paid to such senior executives by both domestic and multinational organizations in the Corporate Sector.



**(6) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:**

Shri Moloy Chowdhury has no pecuniary relationship with the Company other than his remuneration as Manager of the Company.

He is not having any direct or indirect interest in the capital of the Company or through any statutory structures and not having any direct or indirect interest or related to directors or promoters of the Company. He has specialized knowledge in the field of his profession. There is no managerial personnel related to Shri Chowdhury. He is purely a professional executive of the Company.

**III. OTHER INFORMATION**

**(1) Reasons of loss or inadequate profit :**

The Company has primarily been focused on the automobile business.

The Company has two units - one near Kolkata at Uttarpara where Ambassador and Winner vehicles along with auto components are produced and the other near Indore at Pithampur where job work is carried out on behalf of other automobile manufacturers.

The Company also had a Plant at Tiruvallur, namely Chennai Car Plant, engaged in manufacturing and marketing of Mitsubishi vehicle Pajero Sport and contract manufacturing for Isuzu SUVs and pick-up trucks. The Company has divested Chennai Car Plant in March, 2014.

During the last several years, the Company's Uttarpara Plant has been experiencing steady decline in volumes. The Ambassador car is predominantly sold in niche segments such as taxis, institutional and commercial segments and sales have been declining due to intensity of competition from mid-size car and utility vehicles. The high cost of production has also made the vehicle uncompetitive in the market. The Uttarpara plant could not recover from the damage to its goodwill and business credibility faced by it during the major labour unrest that resulted in suspension of work during April/May, 2007. As a result the Company's revenues for vehicle and auto component lines of business have been adversely affected. This is reflected in the declining trend in sales of vehicle. The situation further deteriorated from 2010-11 onwards due to non-availability of BS-IV compliant diesel engines and lower orders from government customers. The Company could start production of BS-IV emission compliant Ambassador Diesel only in September 2013. However, Company was unable to increase production due to lower demand, high costs and shortage of working capital. The delay in divestment of the business / interests of the Company in the Forge Shop and Foundry Shop at Uttarpara, West Bengal to reduce continuous operating losses has further worsened the financial conditions of the Company.

As a combined effect of above, the Company has been suffering from huge operating losses for the past several years. These losses have been funded year after year mainly from the sale of Company's assets, through monetization of investments, capital infusion by the Promoters and other means.

The operations at the Chennai Car Plant were also adversely affected due to lower volumes of Pajero Sport caused mainly by higher fuel prices and increased interest rates.

**(2) Steps taken or proposed to be taken for improvement :**

The Company has been relentlessly making efforts to increase revenue by introducing new products and new features in existing products as well as to reduce costs and make its operations profitable. The Company has taken following initiatives to improve its performance :-

- a) Introduction of new variants of Ambassador and Winner in the commercial segment;
- b) Divestment of the whole or part of the business/interests of the Company in the Forge Shop and Foundry Shop at Uttarpara Plant subject to necessary approvals;



- c) Reduce the input and other overheads by value engineering, rationalisation of work force and other cost reduction measures;
- d) Tie-up with potential financial investors / strategic partners for introducing new vehicle models in the market and infusion of capital in the company.

**(3) Expected increase in productivity and profits in measurable terms :**

The Company has declared suspension of work at its Uttarpara Plant with effect from 24th May, 2014. Productivity and Profitability will depend on early lifting of the suspension of work after an extensive restructuring of its Uttarpara facility and tie up with prospective investor.

**IV. DISCLOSURES**

All elements of remuneration package are given in the Corporate Governance Report annexed to the Directors' Report which should be read in conjunction with the Notice of 72nd Annual General Meeting.

The appointment and remuneration payable to Shri Moloy Chowdhury as Manager require approval of the Company in General Meeting in terms of Section II of Part II of Schedule V of the Act.

The Board recommends the Special Resolution set out at Item No. 9 of the Notice for approval by the shareholders.

Except Shri Moloy Chowdhury, Manager, none of the Directors, other Key Managerial Personnel and their relatives are in any way concerned or interested, financial or otherwise, in the aforesaid Resolution.

A copy each of the Minutes of the Meetings of the Nomination and Remuneration Committee of Directors and Board of Directors held on 9th May, 2014 and 10th May, 2014 respectively and a copy of the Agreement between the Company and Shri Moloy Chowdhury in this connection will be kept open for inspection by the Shareholders at the Registered Office of the Company situated at "Birla Building", 14th Floor, 9/1, R. N. Mukherjee Road, Kolkata - 700 001 between 10 AM and 12 Noon on any working day of the Company.

**Item Nos. 10 and 11**

Due to sale of property at Halol at Gujarat and consequent profit in the financial year 2010-11, lenders of the Company had made a claim of recompense of interest under Corporate Debt Restructuring Scheme (CDR) treating this profit as "windfall gain". The Company requested the lenders to waive a significant portion of the demand based on the facts and circumstances of its case as well as justifiable reasons and to be reasonable in their claim as the Company never made any profits from operations during CDR period. Further, since the Company has completed ten years under Corporate Debt Restructuring Scheme, it is required to exit CDR. At the time of exit, recompense of interest is to be paid to the lenders for the sacrifice made by them under CDR. As per the CDR Guidelines on recompense of interest, the total amount of recompense of interest as on 31st March, 2014 worked out to ₹ 9021 lacs including the effect of compounding over 10 years for the difference in interest rates for respective years. The Corporate Debt Restructuring Empowered Group (CDR EG) at its meeting held on 28th June, 2014, approved the payment of recompense amount of ₹ 6766 lacs, by combination of cash, secured debentures and equity shares of the Company after waiving 25% of the total amount.

The Company is required to issue up to 2,38,87,300 Equity Shares of ₹ 5/- each at a price of ₹ 9.44 (including premium of ₹ 4.44) aggregating to ₹ 2255 lacs and up to 20,53,00,000 - 10.25% Secured Non-Convertible Debentures of ₹ 1/- aggregating to ₹ 2053 lacs on private placement basis to the lenders (Bank and Financial Institutions) towards part payment of recompense of interest amount.

The aforesaid issue and allotment of equity shares will be governed by the provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("SEBI ICDR Regulations") (including any statutory modification(s) or re-enactment(s) thereof for the time being in force).

The issue price of ₹ 9.44 (Rupees Nine and Paise Forty-four only) per share has been calculated as per the SEBI ICDR Regulations, 2009.

The 'Relevant date' for the purpose of determining the price of the equity shares is 27th June, 2014, being the preceding day of meeting (28th June, 2014 being weekend) of CDR EG at which the issue of equity shares was approved. Accordingly, the price at which the equity shares will be issued is ₹ 9.44 (Rupees Nine and Paise Forty-four only).

We give below the disclosures that are required to be given in the explanatory statement to the Special Resolution to be passed under Section 62 of the Companies Act, 2013 in terms of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

**a. Objects of the preferential issue :**

The equity shares are issued against recompense of interest amount as per CDR EG approval.

**b. Proposal of the Promoters, Directors or Key Management Personnel of the Company to subscribe to the offer:**

None of the Promoters, Directors or Key Management Personnel are subscribing to the offer.

**c. Share holding pattern**

**SHAREHOLDING PATTERN OF THE COMPANY BEFORE AND AFTER THE PREFERENTIAL SHARE ALLOTMENT**

**On allotment of Equity Shares**

|  | Pre-Allotment       |                    | Post-Allotment      |                    |
|--|---------------------|--------------------|---------------------|--------------------|
|  | No. of Shares       | % of Share Holding | No. of Shares       | % of Share Holding |
| <b>Promoter/Promoter Group</b>                     |                     |                    |                     |                    |
| Promoter/Promoter Group                            | 6,74,73,254         | 36.52              | 6,74,73,254         | 32.34              |
| <b>Total (A)</b>                                   | <b>6,74,73,254</b>  | <b>36.52</b>       | <b>6,74,73,254</b>  | <b>32.34</b>       |
| <b>Public</b>                                      |                     |                    |                     |                    |
| Mutual Funds/UTI                                   | 66,450              | 0.04               | 66,450              | 0.03               |
| Financial Institutions/ Banks/ Insurance Companies | 60,92,822           | 3.30               | 2,99,80,122         | 14.37              |
| Foreign Institutional Investors                    | 41,517              | 0.02               | 41,517              | 0.02               |
| Private Corporate Bodies                           | 1,66,75,428         | 9.02               | 1,66,75,428         | 8.00               |
| Resident Individuals                               | 8,63,63,106         | 46.74              | 8,63, 63,106        | 41.39              |
| NRIs & OCBs  | 32,32,076           | 1.75               | 32,32,076           | 1.55               |
| Clearing Members                                   | 1,53,540            | 0.08               | 1,53,540            | 0.07               |
| Trusts   | 37,04,258           | 2.00               | 37,04,258           | 1.77               |
| Unclaimed Suspense Account                         | 9,69,542            | 0.53               | 9,69,542            | 0.46               |
| <b>Total (B)</b>                                   | <b>11,72,98,739</b> | <b>63.48</b>       | <b>14,11,86,039</b> | <b>67.66</b>       |
| <b>TOTAL (A+B)</b>                                 | <b>18,47,71,993</b> | <b>100.00</b>      | <b>20,86,59,293</b> | <b>100.00</b>      |

The above pre-issue shareholding pattern has been prepared on the basis of shareholdings as on 1st August, 2014.

**d. Proposed time within which the allotment of equity shares shall be completed :**

The allotment of Equity Shares is proposed to be completed within a period of 15 days from 25th September, 2014, being the date on which the shareholders' sanction is obtained for the preferential allotment of Equity

Shares provided that where the allotment is pending on account of pendency of any approvals for such allotment by any regulatory authority or the Central Government, the allotment shall be completed within a period of fifteen (15) days from the date of such approval or such other extended period as may be permitted under the SEBI ICDR Regulations from the date of receipt of "in principle approval of the stock exchanges in which the shares of the Company are listed".

**e. Identity of the proposed allottees, the percentage of post preferential issue capital that may be held by them and change in control, if any, in the Company consequent to the preferential issue :**

The details of the proposed allottees are as under :

| Sr. No.      | Name                                | Pre-Issue Equity Holding | % of Pre-Issue Equity Holding | No. of Equity Shares (Proposed Allotment) | Post-Issue Equity Holding | % of Post-Issue Equity Holding |
|--------------|-------------------------------------|--------------------------|-------------------------------|---|---------------------------|--------------------------------|
| 1            | ICICI Bank Limited                  |                          |                               | 1,07,43,600                               | 1,07,43,600               | 5.15                           |
| 2            | IDBI Bank Limited                   |                          |                               | 44,48,500                                 | 44,48,500                 | 2.13                           |
| 3            | IFCI Limited                        |                          |                               | 34,04,100                                 | 34,04,100                 | 1.63                           |
| 4            | Life Insurance Corporation of India | 6005175                  | 3.25                          | 14,27,000                                 | 74,32,175                 | 3.56                           |
| 5            | UCO Bank                            |                          |                               | 7,31,000                                  | 7,31,000                  | 0.35                           |
| 6            | Bank of India                       |                          |                               | 14,95,100                                 | 14,95,100                 | 0.72                           |
| 7            | United Bank of India                |                          |                               | 9,36,500                                  | 9,36,500                  | 0.45                           |
| 8            | State Bank of India                 |                          |                               | 3,27,700                                  | 3,27,700                  | 0.16                           |
| 9            | Bank of Baroda                      |                          |                               | 3,73,800                                  | 3,73,800                  | 0.18                           |
| <b>Total</b> |                                     | <b>6005175</b>           | <b>3.25</b>                   | <b>2,38,87,300</b>                        | <b>2,98,92,475</b>        | <b>14.33</b>                   |

**f. Issuer's Undertaking :**

The undertaking(s) required under Paragraphs (f) and (g) of sub-regulation (1) of Regulation 73 of Chapter VII of SEBI ICDR Regulations will not be applicable to the Company, as the Company's Equity Shares are listed on the Stock Exchanges for more than the minimum period as specified under Regulation 76 (3) of the SEBI ICDR Regulations.

**g. Undertaking to put under lock-in till the recomputed price is paid :**

The same is not applicable in the present case.

**h. Certificate from Auditors :**

A Certificate from S.R. Batliboi & Co. LLP, Chartered Accountants, Statutory Auditors of the Company, certifying that the preferential issue is being made in accordance with the requirements contained in Chapter VII of the SEBI ICDR Regulations shall be placed before the meeting.

The debentures will be secured by mortgage/ charge on the assets of Uttarpara Plant of the Company.

As per Section 62(1)(c) of Companies Act, 2013 and Rule 14(2)(a) of the Companies (Prospectus & Allotment) Rules, 2014 any issuance of shares and debentures will require approval of shareholders by way of Special Resolution.

None of the Directors, Manager, other Key Managerial Personnel and their relatives are in any way concerned or interested, financial or otherwise, in the aforesaid Resolution.

The Board recommends the Special Resolutions set out at Item Nos. 10 and 11 of the Notice for approval by the shareholders.

## Directors' Report to the Shareholders

Your Directors present their Seventy-second Annual Report together with annual accounts of the Company for the six-month period ended March 31, 2014.

### Withdrawal of Scheme of Arrangement for Demerger and divestment of Chennai Car Plant

In order to bring long term viability in the operations of the Company, the Board had decided to demerge Company's Chennai Car Plant in January, 2013. The objective of demerger of Company's Chennai Car Plant was to induct a suitable investor/global leader in the respective businesses of the Company for viability in the long term. This is because the considerations, factors and financials applicable to the business comprised in the Chennai Car Plant and Uttarpara Plant including growth trajectories, maturity stage and requirement of funds are different and divergent in nature. However the Company had to withdraw the said Demerger Scheme due to procedural delays, delays in getting requisite approvals and also due to various developments and changes which have taken place without the Scheme having come into effect since its filing.

The Company entered into a Working Arrangement Agreement dated 5th January, 2014 with Hindustan Motor Finance Corporation Limited (HMFCL), to use and operate the Chennai Car Plant of the Company at Adigathur, Kadambathur 631 023 Tiruvallur in the State of Tamil Nadu and to use its infrastructural facilities thereat.

In the meantime, the Company also decided to divest the Chennai Car Plant and obtained approval of the shareholders through postal ballot. The Company made several efforts to find suitable buyers for its Chennai Car Plant. Since no other party was interested, the Company divested the Chennai Car Plant on a going concern basis to HMFCL at a value approved by registered valuers.

Thereafter the Company, in supersession of the Working Arrangement Agreement dated 5th January, 2014, handed over possession of the Chennai Car Plant to HMFCL on 30th March, 2014.

### Financial Results

The financial year 2013-14 is for a period of six months ending 31st March, 2014.

The figures for the period under review being for six months are strictly not comparable with the previous financial year, which consisted of eighteen months. During the period under review, the Company's revenue was ₹ 226 Crores compared to ₹ 881 Crores in the previous financial year. The following table gives a summary of the performance.

|  | <b>2013-14<br/>(6 months)</b> | <i>2012-13<br/>(18 months)</i> |
|--|-------------------------------|--------------------------------|
| Gross Revenue from Operations                  | <b>225.81</b>                 | 880.78                         |
| Net Revenue from Operations                    | <b>182.78</b>                 | 722.89                         |
| Profit/(Loss) before Exceptional items and Tax | <b>(103.45)</b>               | (159.99)                       |
| Exceptional items (Income)                     | <b>102.75</b>                 | 80.01                          |
| Profit / (Loss) before Tax                     | <b>(0.71)</b>                 | (79.98)                        |
| Tax Expenses                                   | <b>2.37</b>                   | (8.78)                         |
| Profit / (Loss) For the Period                 | <b>(3.07)</b>                 | (71.20)                        |

The revenue account shows a loss of ₹ 3.07 Crores after providing ₹ 8.44 Crores for depreciation & amortisation expense and ₹ 2.37 Crores for tax expenses. There was a deficit of ₹ 148.92 Crores in the Statement of Profit and Loss in the last year. After considering the results of the period under review, there is a deficit of ₹ 151.99 Crores in the Statement of Profit and Loss as at the end of the period.

During the period, the Company divested the Chennai Car Plant as well as sold its entire holding of 5,00,000 equity shares of ₹ 5/- each in HMFCL and balance 12,17,000 equity shares of ₹ 10/- in HM Export Limited and consequently an aggregate profit of ₹ 102.75 Crores thereon has been included in the Statement of Profit and Loss.

HMFCL ceased to be a subsidiary of the Company with effect from 12th December, 2013 when it issued further shares and became an associate of the Company with effect from that date. Further consequent to the aforesaid sale of shares in HMFCL by the Company its holding in HMFCL reduced to nil and it ceased to be an associate of the Company with effect from 25th March, 2014.

HM Export Limited ceased to be an associate of the Company with effect from 12th December, 2013.

As informed earlier, due to sale of property at Halol, Gujarat and consequent profit in the year 2011, lenders had made a claim of recompense of interest under Corporate Debt Restructuring Scheme (CDR) treating this profit as "windfall gain". The Company requested the lenders to waive a significant portion of the demand based on the facts and circumstances of its case as well as justifiable reasons and to be reasonable in their claim as the Company never made any profits from operations during CDR period. Further, since the Company has completed ten years under Corporate Debt Restructuring Scheme, it is required to exit CDR. At the time of exit, recompense of interest is to be paid to the lenders for the sacrifice made by them under CDR. As per the CDR Guidelines on recompense of interest, the total amount of recompense of interest as on 31st March, 2014 worked out to ₹ 90.21 Crores including the effect of compounding over 10 years for the difference in interest rates for respective years. The Corporate Debt Restructuring Empowered Group (CDR EG) at its meeting held on 28th June, 2014, approved the payment of recompense amount of ₹ 67.66 Crores by combination of cash, secured debentures and equity shares of the Company after waiving 25% of the total amount.

The Company has provided an amount of ₹ 49.48 Crores in the accounts of the Company for the period under review towards additional liability after considering past payments.

The Company will issue up to 2,38,87,300 Equity Shares of ₹ 5/- each at a price of ₹ 9.44 (including premium of ₹ 4.44) aggregating to ₹ 22.55 Crores and up to 20,53,00,000 - 10.25% Secured Non-Convertible Debentures of ₹ 1/- aggregating to ₹ 20.53 Crores on private placement basis to the lenders (Bank and Financial Institutions) towards part payment of recompense of interest amount. The issue of shares and debentures to the lenders will be subject to approval of Shareholders and other approvals as may be required. The debentures will be secured by mortgage/charge on the assets of Uttarpara Plant of the Company.

The Government of West Bengal (GoWB) has alleged that the Company has realized an excess sum of ₹ 194.47 Crores from the sale of 314 acres of land at Hindmotor, Uttarpara, West Bengal in earlier years and it should refund the said amount along with interest thereon. The Company has been legally advised that there is no liability on the Company to make any payment against the alleged demand. Accordingly, the Company has denied and disputed the allegations.

The losses during this period were due to lower volumes, high cost and a slowdown in the automobile industry.

A Cash Flow Statement for the period under review is also attached to the enclosed Annual Accounts.

### **Review of Operations**

The Company has been focusing on the automobile and auto component business consisting of forgings, castings and stampings with plants at Uttarpara, Tiruvallur and Pithampur. In the automobile business, the main focus is on the Ambassador, the Sports Utility Vehicle Pajero Sport and the goods-carrying Mini Truck called Winner.

Sales of automobiles during the period under review are 1813 compared to 7982 during the previous financial year of eighteen month.

The continuing increase in fuel prices, higher interest rates, and higher taxes / duties slowed down the overall growth of automobile industry during the period under review. The period under review has continued to be challenging for the Company. The operations at Uttarpara plant were adversely affected due to lower volumes of Ambassador and Winner and shortage of working capital. The operations at the Chennai Car Plant were adversely affected due to lower volumes of Pajero Sport caused mainly by higher fuel prices and increased interest rates.

Your Company is taking steps, subject to necessary compliances and approvals, to close the Company's subsidiary in the USA.

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

### **Outlook for 2014-15**

The Indian Economy is likely to improve gradually during financial year 2014-15 compared to financial year 2013-14. The automobile industry is also showing sign of improvement with the recovery in economy in spite of high interest rates and fuel prices during the current financial year.

The Company has two units - one near Kolkata at Uttarpara where Ambassador and Winner vehicles along with auto components are produced and the other near Indore at Pithampur where job work is carried out on behalf of other automobile manufacturers. During the last several years, the Company's Uttarpara Plant has been experiencing steady decline in volumes. The Ambassador car is predominantly sold in niche segments such as taxis, institutional and commercial segments and sales have been declining due to intensity of competition from mid-size car and utility vehicles.

The high cost of production has also made the vehicle uncompetitive in the market. The Uttarpara plant could not recover from the damage to its goodwill and business credibility faced by it during the major labour unrest that resulted in suspension of work during April/May, 2007. As a result the Company's revenues for vehicle and auto component lines of business has been adversely affected. This is reflected in the declining trend in sales of vehicle. The situation further deteriorated from 2010-11 onwards due to non-availability of BS-IV compliant diesel engines and lower orders from government customers. The Company could start production of BS-IV emission compliant Ambassador Diesel only in September 2013. However, Company was unable to increase production due to lower demand, high costs and shortage of working capital. The delay in divestment of the business / interests of the Company in the Forge Shop and Foundry Shop at Uttarpara, West Bengal to reduce continuous operating losses has further worsened the financial conditions of the Company.

As a combined effect of above, the Company has been suffering from huge operating losses for the past several years. These losses have been funded year after year mainly from the sale of Company's assets, through monetization of investments, capital infusion by the Promoters and other means.

As a result of continuous losses the Company has huge outstanding liabilities which are increasing with time. In March 2014, the Company divested its Chennai Car Plant in an effort to help in meeting the huge outstanding liabilities with the proceeds of the divestment.

Therefore, in view of the continuous cash losses as well as worsening conditions at its Uttarpara Plant as stated above, the Company was left with no other alternative but to declare "suspension of work" at its Uttarpara plant with effect from 24th May, 2014.

In an effort to revive operations, the Company has been actively engaged in scouting for tie-ups with potential investors/strategic partners who can introduce new models in the market and infuse capital into the Company.

Your directors are continuously making efforts to restructure the Company, and in this regard an external consultant has been hired to give an external perspective on the challenges and possible solutions at the Uttarpara Plant of the Company.

The Company has also approached the Government of West Bengal to provide all support to revive the Company.

### **Delisting of shares**

The Company is taking necessary steps to delist its shares from Calcutta Stock Exchange Limited (CSE). There has been no trading in the shares of the Company on CSE for many years and the delisting will not affect the interest of the shareholders of the Company in any manner.

### **Board for Industrial and Financial Reconstruction**

As the accumulated losses of the Company at the end of financial year ended on 30 September, 2013 exceeded its entire net worth, the Company has made reference to the Board for Industrial and Financial Reconstruction (BIFR) under Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985. The reference has been registered by BIFR.

### **Industrial Relations**

In spite of all adverse conditions and financial hardships, your Company tried to maintain cordial relations across all plants during the period under review.



However, owing to delay in wages and salary payments, the industrial relations scenario started deteriorating with increased external influence but the situation was effectively and efficiently managed by proactive approaches at the unit level. But due to indiscipline, increasing costs and reasons stated above your Company was compelled to declare suspension of work at its Uttarpara Plant from 24th May, 2014 onwards.

### **Corporate Governance**

The Company continues to remain committed to 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 applicable Accounting Standards prescribed by Companies (Accounting Standards) Rules, 2006. 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 six month period 2013-14 and the date of this report except that of suspension of work at Uttarpara Plant of the Company with effect from 24th May, 2014 and settlement of liability of recompense of interest as reported in this report.

There has also been no change during the period under review in the nature of business of the Company or its subsidiaries. Hindustan Motor Finance Corporation Limited ceased to be a subsidiary of the Company with effect from 12th December 2013. Steps are being taken to close the business of Company's subsidiary in USA subject to necessary compliances and approvals.

### **Auditors**

The report by the Auditors is self-explanatory.

S R Batliboi & Co. LLP, Chartered Accountants, the Statutory Auditors of the Company has given notice in writing of their unwillingness to continue as the Statutory Auditors of the Company from the conclusion of the next Annual General Meeting.

The Company has received a letter pursuant to Sections 139 and 141 of the Companies Act, 2013 from Ray & Ray, Chartered Accountants regarding their eligibility for appointment as Statutory Auditors of the Company

Your Directors request you to appoint Ray & Ray, Chartered Accountants (FRN 301072E) as Statutory Auditors of the Company to hold office for a term of five years from the conclusion of ensuing Seventy-second Annual General Meeting of the Company till the conclusion of the Seventy-seventh Annual General Meeting (subject to ratification by shareholders at every Annual General Meeting) and to fix their remuneration.

### **Cost Auditors**

M/s Shome & Banerjee, Cost Accountants are the Cost Auditors of the Company for the financial year 2013-14 (six month period). The Company has filed cost audit report for the financial year 2012-13 (eighteen month period) on 14th March, 2014 and the due date for filing cost audit report for the financial year 2013-14 is 27th September, 2014.

### **Subsidiaries**

As per general exemption granted vide Government of India, Ministry of Corporate Affairs' general circular no. 2/2011 dated 8th February, 2011, the Company has not attached the annual accounts of its subsidiary Hindustan Motors Limited, USA to this Annual Report. As required by the said circular, the relevant information for the subsidiary has been disclosed in the consolidated financial statements attached to this Annual Report.



The Company will make available the annual accounts of the subsidiary and related information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary will also be kept for inspection by any member of the Company at the registered office of the Company and that of the subsidiary. The Consolidated financial statements presented by the Company include the financial information of its subsidiary.

Hindustan Motor Finance Corporation Limited ceased to be a subsidiary of the Company with effect from 12th December, 2013.

### **Directors**

Dr. Anand C. Burman, Shri Naresh Chandra, Shri Kranti Sinha and Shri Pradip Kumar Khaitan resigned as Directors of the Company with effect from 26th December, 2013, 6th February, 2014, 9th May, 2014 and 29th May, 2014 respectively. The Board places on record its high appreciation for the valuable services rendered by Dr. Anand C. Burman, Shri Naresh Chandra, Shri Kranti Sinha and Shri Pradip Kumar Khaitan during their tenure as Directors of your Company.

Shri C. K. Birla resigned as Chairman and Director of the Company with effect from 28th December, 2013. The Board places on record its high appreciation for the valuable services rendered by Shri C. K. Birla during his tenure as Director of your Company.

Shri Uttam Bose has resigned as Managing Director of the Company with effect from the close of business hours on 9th May, 2014. The Board places on record its high appreciation for the valuable services rendered by Shri Uttam Bose during his tenure as Managing Director of the Company. Shri Uttam Bose was appointed as an Additional Director with effect from 10th May, 2014. Shri Uttam Bose holds the office up to the date of the ensuing Annual General Meeting and is eligible for appointment as Director liable to retire by rotation.

Shri Sanjay Basu was appointed as an Additional Director with effect from 6th February, 2014. Shri Sanjay Basu holds the office up to the date of the ensuing Annual General Meeting and is eligible for appointment as Independent Director of the Company.

Shri Raj Kamal Johri was appointed as an Additional Director with effect from 6th February, 2014. Shri Raj Kamal Johri holds the office up to the date of the ensuing Annual General Meeting and is eligible for appointment as Independent Director of the Company.

At the ensuing Annual General Meeting, Shri A. Sankaranarayanan, Director of the Company, retires by rotation and being eligible offers himself for re-appointment.

### **Key Managerial Personnel**

Shri Yogesh Goenka, the Chief Financial Officer and Company Secretary has resigned from the services of the Company with effect from the close of business hours on 9th May, 2014.

Shri Moley Chowdhury has been appointed as Manager of the Company designated as Chief Executive Officer with effect from 10th May, 2014 for a period of two years. The appointment of Shri Moley Chowdhury is subject to necessary approval(s).

Shri Tarun Kumar Kabra has been appointed as Company Secretary with effect from 10th May, 2014. Mr. Kabra is also Compliance Officer of the Company with effect from 10th May 2014.

Shri Aniruddha Sarkar has been appointed as Chief Financial Officer of the Company designated as Chief Financial Officer and Head of Legal with effect from 10th May 2014.

### **Appreciation**

Your Directors acknowledge and thank the Company's 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

Kolkata  
5th August, 2014

**Uttam Bose**  
*Director*

**A. Sankaranarayanan**  
*Director*

## Annexure-1 to the Directors' Report

### Management Discussion & Analysis Report

#### Industry Structure & Development

During the year 2013-14 (1st April, 2013 till 31st March, 2014) the overall economy registered a GDP growth rate of 4.7% as per the estimates by Economic Survey tabled by the government. The index of industrial production in the year 2013-14 was lower at (-) 0.1% compared to 1.1% in the previous year. Slowdown in GDP growth rate has a cascading effect on the automobile industry.

The sale of Passenger Vehicles in the country in the year 2013-14 declined by 6.05% as compared to growth of 2.15% in the immediate preceding year and the sale of Light Commercial Vehicles in the country declined by 17.62% as compared to growth of 14.04% in the immediate preceding year.

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

| Domestic Sales – Nos.            | 12 months ending<br>31st March, 2013 | 12 months ending<br>31st March, 2014 | % age Increase   |
|----------------------------------|--------------------------------------|--------------------------------------|------------------|
| <b>Passenger Vehicles</b>        |                                      |                                      |                  |
| Passenger Cars                   | 18,74,055                            | 17,86,899                            | (-) 4.65         |
| Utility Vehicles                 | 5,53,662                             | 5,25,942                             | (-) 5.01         |
| Vans                             | 2,37,298                             | 1,90,844                             | (-) 19.58        |
| <b>Total</b>                     | <b>26,65,015</b>                     | <b>25,03,685</b>                     | <b>(-) 6.05</b>  |
| <b>Light Commercial Vehicles</b> |                                      |                                      |                  |
| Passenger Carriers               | 47,827                               | 42,799                               | (-) 10.51        |
| Goods Carriers                   | 4,76,695                             | 3,89,312                             | (-) 18.33        |
| <b>Total</b>                     | <b>5,24,522</b>                      | <b>4,32,111</b>                      | <b>(-) 17.62</b> |

Source : Society of Indian Automobile Manufacturers - Flash Report

During the six month period October 2013 to March 2014, sale of Passenger Vehicles in the country declined by 7.33% as compared to growth of 2.35% in the corresponding period of previous year and the sale of Light Commercial Vehicles in the country declined by 20.28% as compared to growth of 5.53% in the corresponding period of previous year.

Sale of Company's vehicles during the six month period was 1813 numbers compared to 7982 numbers in the previous financial year of eighteen month period. The Company operates in niche segments only. The sale of vehicles was severely affected mainly due to lower demand, decline in orders from government customers, continuous increase in fuel prices, increased interest rates and shortage of working capital. The lower volumes severely affected the profitability of the Chennai Car Plant despite reduction in component prices by the collaborator Mitsubishi Motors Corporation, Japan. The Company took measures like value engineering and cost reduction initiatives to compensate for the same.

In September 2013 the Company launched a BS-IV compliant 1.5 litre diesel powered vehicle named Ambassador Encore from its Uttarpara Plant. Though the new Ambassador Encore has been appreciated by the taxi unions in Kolkata and other parts of the country, the Company was unable to increase its production due to lower demand, high costs, competition from other manufacturers and shortage of working capital.

#### Opportunities & Threats

The economy is expected to improve gradually in the current financial year. The forecast of GDP growth rate for 2014-15 is between 5.4% and 5.9% as compared to 4.7% in 2013-14. The year under review was one of the most difficult years for the industry. The business environment was tough due to low growth of economy, high interest rates, high fuel prices and poor sentiment. Sales have declined for the second year running as the slowing economy, high interest rates and rising fuel prices put off buyers from new purchases.

In view of the high interest rates and rising fuel prices, demand for passenger vehicles may continue to be flat during the year 2014-15. The industry is not expecting any immediate turnaround even with a reduction in excise duty and improvement in market sentiment due to change in government at the centre. With the continuous introduction of newer models, competition will remain high. However with the gradual improvement in the economy demand may increase marginally during the current financial year.

The performance of the Company during the current financial year will be affected by suspension of work at Uttarpara Plant of the Company, lower demand and shortage of working capital. The operating loss of the Company is expected to be lower due to suspension of work in the current financial year. Further as a result of continuous losses incurred, the Company has huge outstanding liabilities which are expected to be met partly with the proceeds of the divestment of Chennai Car Plant.

In order to revive operations, the Company has been actively engaged in scouting for tie-ups with potential investors/strategic partners who can introduce new models in the market and infuse capital into the Company. The Company is also taking steps to restructure and rationalise its manpower and other fixed costs which are not commensurate with the production numbers.

The Company also expects to divest the whole or part of its business/interests in the loss-making Forge Shop and Foundry Shop at Uttarpara, West Bengal during the current financial year which is expected to reduce losses.

#### **Financial Performance**

The figures for the period under review being for six month are strictly not comparable with the previous year period of eighteen month. Total revenue from operations of the Company during the period was ₹ 226 Crores as against ₹ 881 Crores in the previous year. The loss before tax for the period was ₹ 0.71 Crores after including income from exceptional items which includes profit from divestment of Chennai Car Plant and profit from sale of shares of Hindustan Motor Finance Corporation Limited and HM Export Limited. The profitability of the Company was adversely affected due to high costs and lower sales of its products.

The Company's business activity falls within a single primary business segment viz. 'Automobiles' in India and hence the disclosure requirement of Accounting Standard-17 "Segment Reporting" as notified by Companies (Accounting Standards) Rules, 2006 (as amended) is not applicable.

The Outlook for the financial year 2014-15 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 limited product range, 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

Kolkata  
5th August, 2014

**Uttam Bose**  
*Director*

**A. Sankaranarayanan**  
*Director*

## 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 five members and all of them are Non-Executive Directors. The Non-Executive Directors account for 100% of Board's strength against minimum requirement of fifty percent as per Clause 49 of the listing agreement. There are four Independent Directors (as per definition provided in existing Listing Agreement). The Non-Executive Directors are eminent professionals, drawn from amongst persons with experience in business & industry, finance & law. The composition of Board of Directors as on the date of the report is as follows:-

| Name of Directors        | Category (As per Listing Agreement)               | 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 A. Sankaranarayanan | Independent - Non-Executive                       | 3                           | 2  | 1  |
| Shri Raj Kamal Johri     | Independent - Non-Executive                       | -                           | -  | -  |
| Shri Sanjay Basu         | Independent - Non-Executive                       | -                           | -  | -  |
| Shri Gautam Dutta        | Independent - Non-Executive- IDBI Nominee- Lender | -                           | -  | -  |
| Shri Uttam Bose          | Not Independent Non-Executive                     | 1                           | -  | -  |

\* only public limited companies have been considered.

\*\* includes the membership / chairmanship only of Audit Committee(s) and Stakeholders Relationship Committee(s).

Shri C. K. Birla ceased to be a Chairman and Director of the Company with effect from 28th December, 2013. Dr. Anand C. Burman, Shri Naresh Chandra, Shri Kranti Sinha and Shri Pradip Kumar Khaitan ceased to be Directors of the Company with effect from 26th December, 2013, 6th February, 2014, 9th May, 2014 and 29th May, 2014 respectively.

Shri Raj Kamal Johri and Shri Sanjay Basu were appointed as Additional Directors of the Company with effect from 6th February, 2014.

Shri Uttam Bose ceased to be the Managing Director of the Company with effect from the close of business hours on 9th May, 2014 and appointed as Additional Director of the Company with effect from 10th May, 2014.

None of the Non-Executive Directors of the Company has any pecuniary relationship or transaction with the Company, except Shri Pradip Kumar Khaitan who was Director of the Company up to 28th May, 2014, is a partner of M/s Khaitan & Co. / M/s. Khaitan & Co. LLP, the Company's Solicitors and Advocates. There is no inter se relationship between the Directors.

**(b) Board Meetings**

During the six month period ended 31st March, 2014, four meetings of the Board of Directors were held on 30th October, 2013, 18th November, 2013, 26th December, 2013 and 6th February, 2014. 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<br>(ceased to be a Director w.e.f. 28-12-2013)         | 4              | 3        | Yes                         |
| Shri Naresh Chandra<br>(ceased to be a Director w.e.f. 6-2-2014)        | 4              | 3        | Yes                         |
| Shri Pradip Kumar Khaitan<br>(ceased to be a Director w.e.f. 29-5-2014) | 4              | 4        | Yes                         |
| Dr. Anand C. Burman<br>(ceased to be a Director w.e.f. 26-12-2013)      | 4              | 1        | NA                          |
| Shri Kranti Sinha<br>(ceased to be a Director w.e.f. 9-5-2014)          | 4              | 3        | Yes                         |
| Shri A. Sankaranarayanan  | 4              | 3        | No                          |
| Shri Gautam Dutta   | 4              | 3        | Yes                         |
| Shri Raj Kamal Johri  | 4              | NA       | NA                          |
| Shri Sanjay Basu  | 4              | NA       | NA                          |
| Shri Uttam Bose   | 4              | 4        | Yes                         |

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

As on 31st March, 2014, number of shares held by Non-Executive Directors were as follows:-

| Name of Non-Executive Directors                             | No. of Shares held on 31st March, 2014 |
|---|--|
| Shri Kranti Sinha (ceased to be a Director w.e.f. 9-5-2014) | 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 amended by the Board of Directors of the Company at its meetings held on 25th January, 2000, 31st August, 2000, 29th January, 2005, 27th April, 2006 and on 9th May, 2014 and covers the matters specified for it under Clause 49 of Listing Agreement as well as in Section 177 of the Companies Act, 2013.

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

| Name                     | Nature of Directorship<br>(As per Listing Agreement) | Membership                 |
|--------------------------|--|----------------------------|
| Shri Sanjay Basu         | Independent and Non-Executive Director               | Chairman (w.e.f. 5-8-2014) |
| Shri A. Sankaranarayanan | Independent and Non-Executive Director               | Member                     |
| Shri Gautam Dutta        | Independent and Non-Executive Director               | Member                     |

- Composition of the Committee is in conformity with clause 49(II)(A) of the Listing Agreement. One of the members is nominee of Financial Institution.
- Shri Naresh Chandra, the then Chairman of the Audit Committee was present at the Annual General Meeting held on 26th December, 2013 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 auditor, cost auditor 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 Managing Director, the Chief Internal Auditor, the Statutory Auditor, the Cost Auditor and the Chief Financial Officer and Company Secretary who was acting as the 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 six month period ended 31st March, 2014, two Audit Committee Meetings were held on 18th November, 2013 and 6th February, 2014 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 (ceased to be a Director w.e.f. 6-2-2014) | 2    | 1        |
| Shri Kranti Sinha (ceased to be a Director w.e.f. 9-5-2014)   | 2    | 1        |
| Shri A. Sankaranarayanan                                      | 2    | 2        |
| Shri Gautam Dutta   | 2    | 1        |
| Shri Sanjay Basu (nominated w.e.f. 6-2-2014)                  | 2    | -        |

#### 4. Nomination and Remuneration Committee

The Board of Directors of the Company at its 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 Remuneration Committee was renamed as "Nomination and Remuneration Committee" and reconstituted by the Board of Directors at its meeting held on 9th May, 2014 for the purpose of recommending the Company's policy on remuneration package for the Directors, Key Managerial Personnel and other employees. In the said Board meeting, a revised Role and Scope of the Committee was fixed.



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

| Name                     | Nature of Directorship<br>(As per Listing Agreement) | Membership                 |
|--------------------------|--|----------------------------|
| Shri Sanjay Basu         | Independent and Non-Executive Director               | Chairman (w.e.f. 9-5-2014) |
| Shri A. Sankaranarayanan | Independent and Non-Executive Director               | Member                     |
| Shri Raj Kamal Johri     | Independent and Non-Executive Director               | Member                     |

The Chief Financial Officer and Company Secretary acted as the Secretary of the Committee.

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

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

**Remuneration paid to Directors during the six month period ended 31st March, 2014**

**Non-Executive Directors**

(Amount in ₹)

| Name   | Sitting fees for attending<br>Committee and Board Meetings |
|--|--|
| Shri C. K. Birla (ceased to be a Director w.e.f. 28-12-2013)         | 30,000   |
| Shri Naresh Chandra (ceased to be a Director w.e.f. 6-2-2014)        | 40,000   |
| Shri Pradip Kumar Khaitan (ceased to be a Director w.e.f. 29-5-2014) | 50,000   |
| Dr. Anand C. Burman (ceased to be a Director w.e.f. 26-12-2013)      | 10,000   |
| Shri Kranti Sinha (ceased to be a Director w.e.f. 9-5-2014)          | 50,000   |
| Shri A. Sankaranarayanan   | 60,000   |
| Shri Gautam Dutta (on behalf of IDBI Bank Ltd.)                      | 50,000   |
| Shri Raj Kamal Johri (appointed w.e.f. 6-2-2014)                     | -  |
| Shri Sanjay Basu (appointed w.e.f. 6-2-2014)                         | -  |

**Remuneration of Executive Director**

(Amount in ₹)

|                         | Shri Uttam Bose, Managing Director (1-10-2013 to 31-3-2014) |
|-------------------------|---|
| Salary* and allowances  | 81,95,850   |
| Benefits                | 6,44,688  |
| Bonuses                 | -   |
| Stock Option            | -   |
| Contribution to :       |   |
| (i) Superannuation Fund | -   |
| (ii) Provident Fund     | 3,78,270  |
| <b>Total</b>            | <b>92,18,808</b>  |

\* does not include Contribution to Gratuity Fund.

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. / M/s. Khaitan & Co. LLP, Solicitors and Advocates of the Company of which Shri Pradip Kumar Khaitan is a Partner renders professional services to the Company upon receipt of fee.



- c) The employment of the Managing Director is contractual in nature and is terminable by either side with a notice period of three months or Company paying three months salary (basic) in lieu of such notice.

#### 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 for the limited purpose of finalizing the development programme / sale of the Company's land at Uttarpara. The Board of Directors of the Company at its meeting held on 1st May, 2010 has expanded the ambit and scope of powers and authorities of the Committee.

The Special Committee of Directors has been dissolved by the Board of Directors of the Company at its meeting held on 5th August, 2014.

#### 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 period under review two meetings of such committee were held on 5th November, 2013 and 27th January, 2014.

#### 7. Stakeholders Relationship Committee

The Board of Directors at its meeting held on 9th May, 2014 renamed the Shareholders'/Investors' Grievances Committee as Stakeholders Relationship Committee.

The present composition of the Stakeholders Relationship Committee as on the date of the report is as follows :

| Name                                   | Nature of Directorship<br>(As per Listing Agreement) | Membership |
|--|--|------------|
| Shri A. Sankaranarayanan               | Independent and Non-Executive Director               | Chairman   |
| Shri Raj Kamal Johri (w.e.f. 5-8-2014) | Independent and Non-Executive Director               | Member     |
| Shri Gautam Dutta                      | Independent and Non-Executive Director               | Member     |
| Shri Uttam Bose                        | Not-Independent Director and Non-Executive Director  | Member     |

Shri Yogesh Goenka, Chief Financial Officer and Company Secretary of the Company was designated as the Compliance Officer till 9th May, 2014 and Shri Tarun Kumar Kabra, Company Secretary is designated as the Compliance Officer since 10th May, 2014.

The Committee oversees the performance of 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 period under review, 49 complaints were received by the Company/Registrar and Share Transfer Agents from shareholders and/or through regulatory bodies. All these complaints have been redressed during the six month period ended 31st March, 2014. There were no share transfer applications pending for registration as on 31st March, 2014 except one application for 1000 shares which was under the category of Seller's Notice and was transferred subsequently.

During the six month period ended 31st March, 2014, one meeting was held on 6th February, 2014. The attendance of the Members was as under:-

**Stakeholders Relationship Committee**

| Name of the Members   | Held | Attended |
|---|------|----------|
| Shri Pradip Kumar Khaitan - Chairman (ceased to be a Director w.e.f. 29-5-2014) | 1    | 1        |
| Shri Kranti Sinha (ceased to be a Member w.e.f. 9-5-2014)                       | 1    | 1        |
| Shri A. Sankaranarayanan (Chairman since 5-8-2014)                              | 1    | 1        |
| Shri Gautam Dutta   | 1    | 1        |
| Shri Uttam Bose   | 1    | 1        |

**Complaints received during the six month period ended 31st March, 2014 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         | 11                | 11          |
| Non-receipt of Securities                | 16                | 16          |
| Non-receipt of Securities after transfer | 1                 | 1           |
| Non-receipt of Stickers                  | 3                 | 3           |
| Non-receipt of Annual Report             | 9                 | 9           |
| <b>Non-receipt of Redemption Warrant</b> | 3                 | 3           |
| Miscellaneous                            | 6                 | 6           |
|  | <b>49</b>         | <b>49</b>   |

**8. General Body Meetings**

| Nature of the General Meetings held in the last three years | Date                 | Venue  | If Special Resolution(s) passed |
|---|----------------------|--|---------------------------------|
| Annual General Meeting                                      | 26th December, 2013  | Kolkata Ice Skating Rink<br>78, Syed Amir Ali Avenue<br>Kolkata-700019 | No                              |
| Court Convened Meeting                                      | 23rd September, 2013 | -do-   | Yes                             |
| Annual General Meeting                                      | 13th August, 2012    | -do-   | Yes                             |
| Extraordinary General Meeting                               | 7th March, 2012      | -do-   | Yes                             |
| Annual General Meeting                                      | 4th August, 2011     | -do-   | No                              |

**Postal Ballot**

During the period, one Special Resolution under Section 180(1)(a) of the Companies Act, 2013 was passed by requisite majority through Postal Ballot in respect of approval for sale or disposal of Chennai Car Plant of the Company at Adigathur Village, Kadambathur in the District of Tiruvallur, Tamil Nadu. Shri Anjan Kumar Roy, a Company Secretary in practice was appointed as the Scrutinizer for the Postal Ballot process. The results of the Postal Ballot were announced by the Managing Director of the Company at the Registered Office of the Company on 4th February, 2014 and advertised in the newspapers.

**Details of the Special Resolution passed through Postal Ballot are as follows :**

- Description  
Approval for sale or disposal of Chennai Car Plant of the Company at Adigathur, Kadambathur - 631 203 in the District of Tiruvallur in the State of Tamil Nadu.
- Voting Pattern

| <b>Voting</b>   | <b>Number of Votes</b> | <b>Percentage of Total Votes</b> |
|-----------------|------------------------|----------------------------------|
| Votes in favour | 77364321               | 99.89                            |
| Votes against   | 84986                  | 0.11                             |
| <b>Total</b>    | <b>77449307</b>        | <b>100.00</b>                    |

The procedures prescribed under Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011 have been followed for the Postal Ballot conducted during the period for the resolution mentioned above.

**9. Disclosures**

Besides the transactions mentioned elsewhere in the Annual Report, there were no materially significant related party transactions during the period conflicting with the interest of the Company.

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 complied with all the mandatory requirements and one non-mandatory requirement of Clause 49 of Listing Agreement viz. constitution of Remuneration Committee of Directors during the six month period ended 31st March, 2014.

**10. Means of Communication**

| <b>Subject</b>   | <b>Details</b>   |
|--|--|
| 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.<br>Akdin/Dainik Statesman - Kolkata (Bengali Version)<br>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.   |

**11. General Shareholder Information**

|  |  |
|--|--|
| Annual General Meeting   |  |
| Date & time  | 25th September, 2014 at 11.15 a.m.   |
| Venue  | Rotary Sadan<br>Rotary Children's Welfare Trust<br>94/2, Chowringhee Road<br>Kolkata - 700 020   |
| Financial Calendar for F.Y. 2014-15<br>(1st April, 2014 to 31st March, 2015) | a. 1st Quarterly Results - On or before 14th August, 2014  |
|  | b. 2nd Quarterly Results - On or before 14th November, 2014  |
|  | c. 3rd Quarterly Results - On or before 14th February, 2015  |
|  | d. Annual Audited Results - On or before 30th May, 2015  |
| Date of Book closure   | 18th September, 2014 to 25th September, 2014 (both days inclusive)   |
| Dividend Payment   | In view of the deficit in the Statement of Profit & Loss after taking into account the results for the period under review, there did not arise any occasion for the Board of Directors to consider recommending any dividend on the equity shares of the Company. |
| Listing on Stock Exchanges   | National Stock Exchange of India Limited<br>"Exchange Plaza", Plot No. C/1, G-Block<br>Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051<br>Tel : 91-22-2659 8190<br>Fax : 91-22-2659 8191  |
|  | BSE Limited<br>Floor 25, Phiroze Jeejeebhoy Towers<br>Dalal Street, Mumbai - 400 001<br>Tel : 91-22-2272 1233/1234<br>Fax : 91-22-2272 1003  |
|  | The Calcutta Stock Exchange Limited<br>7, Lyons Range, Kolkata - 700 001<br>Tel : 91-33-4025 3000<br>Fax : 91-33-4025 3030   |
| Stock code   | National Stock Exchange of India Ltd. HINDMOTORS<br>BSE Ltd. 500500<br>The Calcutta Stock Exchange Ltd. 1000012  |
| ISIN Number  | INE253A01025   |

**Market Price Data**

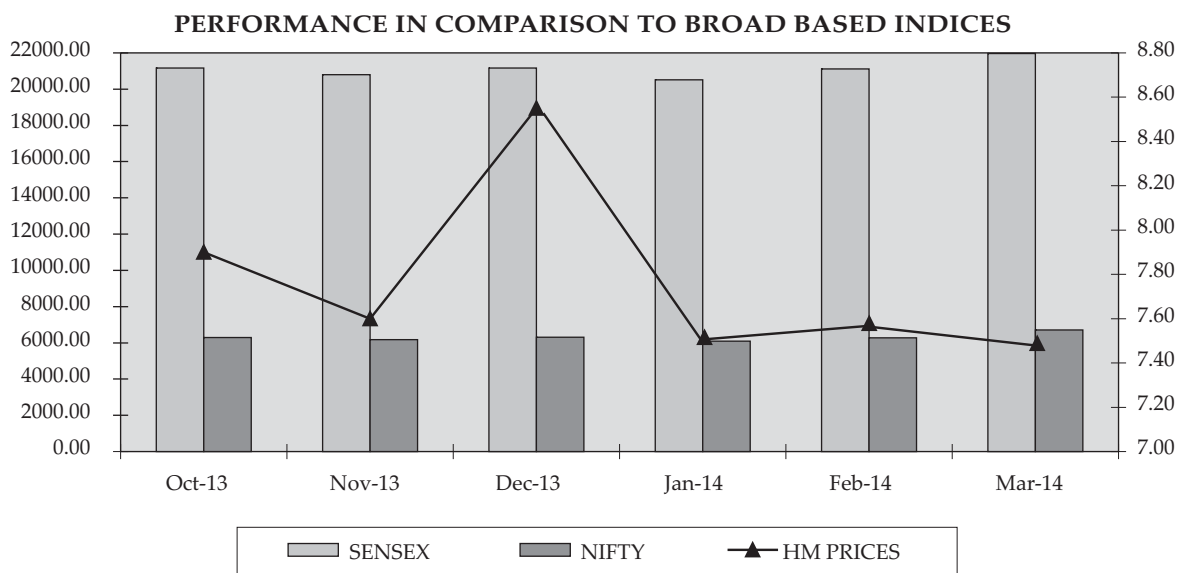
The Company's shares are listed on National Stock Exchange of India Limited, BSE Limited and The Calcutta Stock Exchange Limited. The monthly high and low quotations of shares traded during the six month period ended 31st March, 2014 are as below :

(Amount in ₹)

| Month         | NSE  |      | BSE  |      | CSE  |     |
|---------------|------|------|------|------|------|-----|
|               | High | Low  | High | Low  | High | Low |
| October-13    | 9.10 | 7.35 | 9.15 | 7.34 | NIL  | NIL |
| November-13   | 8.40 | 7.35 | 8.42 | 7.32 | NIL  | NIL |
| December-13   | 8.90 | 7.05 | 8.90 | 7.00 | NIL  | NIL |
| January- 14   | 8.90 | 7.00 | 8.95 | 7.06 | NIL  | NIL |
| February - 14 | 8.50 | 7.10 | 8.48 | 7.12 | NIL  | NIL |
| March - 14    | 7.50 | 6.55 | 8.00 | 6.60 | NIL  | NIL |

**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**

Karvy Computershare Pvt. Limited  
 Plot nos. 17 to 24 Vittal Rao Nagar  
 Madhapur , Hyderabad 500 081  
 Telephone No : (040) 2342 0818  
 Fax : (040) 2342 0814

E-mail : einward.ris@karvy.com / suresh.d@karvy.com  
 Kolkata Office : (033) 6619 2841, 6619 2842

**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 six month period ended 31st March, 2014, 16055 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.

**The Distribution of Shareholding as on 31st March, 2014**

| No. of Shares   | Shareholders  |             | Shares           |             |
|-----------------|---------------|-------------|------------------|-------------|
|                 | Numbers       | %           | Numbers          | %           |
| 1 - 500         | 111447        | 81.54%      | 19530915         | 10.57%      |
| 501 - 1000      | 13270         | 9.71%       | 11274214         | 6.10%       |
| 1001 - 2000     | 6118          | 4.48%       | 9551109          | 5.17%       |
| 2001 - 3000     | 1933          | 1.42%       | 5012662          | 2.71%       |
| 3001 - 4000     | 878           | 0.64%       | 3196818          | 1.73%       |
| 4001 - 5000     | 899           | 0.66%       | 4318876          | 2.34%       |
| 5001 - 10000    | 1181          | 0.86%       | 8846523          | 4.79%       |
| 10001 - 20000   | 504           | 0.37%       | 7388164          | 4.00%       |
| 20001 and Above | 443           | 0.32%       | 115652712        | 62.59%      |
| <b>TOTAL</b>    | <b>136673</b> | <b>100%</b> | <b>184771993</b> | <b>100%</b> |

**Category of Shareholders as on 31st March, 2014**

| Sl. No. | Category   | No. of holders | % of holders  | No. of Shares    | % of Shareholding |
|---------|--|----------------|---------------|------------------|-------------------|
| 1.      | Promoters  | 18             | 0.01          | 67473254         | 36.52             |
| 2.      | Mutual Funds/UTI                                   | 16             | 0.01          | 66450            | 0.03              |
| 3.      | Financial Institutions/ Banks/ Insurance Companies | 62             | 0.05          | 9770938          | 5.29              |
| 4.      | Foreign Institutional Investors                    | 12             | 0.01          | 56517            | 0.03              |
| 5.      | Private Corporate Bodies                           | 1701           | 1.24          | 19565522         | 10.59             |
| 6.      | Resident Individuals                               | 133101         | 97.39         | 83145369         | 45.00             |
| 7.      | NRIs & OCBs  | 1615           | 1.18          | 3417265          | 1.85              |
| 8.      | Clearing Members                                   | 131            | 0.10          | 279263           | 0.15              |
| 9.      | Trusts   | 16             | 0.01          | 27142            | 0.01              |
| 10.     | Unclaimed Suspense Account                         | 1              | 0.00          | 970273           | 0.53              |
|         | <b>TOTAL</b>                                       | <b>136673</b>  | <b>100.00</b> | <b>184771993</b> | <b>100.00</b>     |



**Disclosure of Unclaimed Suspense Account as required under Clause 5A of the Listing Agreement.**

| Sl. No. | Particulars   | Number of shareholders | Number of shares |
|---------|---|------------------------|------------------|
| i)      | Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on 1st October, 2013   | 5655                   | 974756           |
| ii)     | Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Suspense Account during the period | 11                     | 4483             |
| iii)    | Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the period                  | 11                     | 4483             |
| iv)     | Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on 31st March, 2014    | 5644                   | 970273           |

**Dematerialisation of Equity Shares and Liquidity**

The Company's shares are currently traded only in dematerialised form at three stock exchanges viz. National Stock Exchange of India Limited, BSE Limited and The Calcutta Stock Exchange Limited. 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, 2014, about 94.22% of the Company's shares were held in dematerialised form.

As on 31st March, 2014, 2,36,00,000 Equity Shares of the Company held by Promoters/Promoter Group companies are under lock-in period.

**Plant Locations (Manufacturing Units)**

| Address  | Items produced  |
|--|---|
| 1. Uttarpur Division (UTP)<br>Hindmotor - 712 233<br>District - Hooghly<br>West Bengal   | Ambassador, Mini Truck - Winner,<br>Auto Components<br>namely Forgings, Castings, Stampings<br>and Spare parts. |
| 2. Pithampur Plant<br>Pithampur<br>Sector III<br>Sagore - 454 774<br>District - Dhar<br>Madhya Pradesh                                 | Mini Truck - Winner and Spare parts   |
| 3. Chennai Car Plant (CCP)*<br>Adigathur<br>Kadambathur - 631 203<br>District - Tiruvallur<br>Tamil Nadu<br>* (Up to 29th March, 2014) | Pajero Sport, Spare parts and<br>contract manufacturing for<br>Isuzu Motors India Private<br>Limited.           |

## 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 Business Conduct and Ethics by all Directors and Senior Management Executives:-

May 9, 2014

The Board of Directors  
Hindustan Motors Limited  
"Birla Building", 14th Floor  
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 Executives as defined in the Code of Business Conduct and Ethics of the Company have submitted annual declarations confirming their compliance of the same.

Thanking you

Yours faithfully  
For **Hindustan Motors Limited**

Sd/-  
**Uttam Bose**  
CEO and Managing Director

### Address for Correspondence :

- For matters related to shares :
  - Karvy Computershare Pvt. Limited
  - Plot nos. 17 to 24 Vittal Rao Nagar
  - Madhapur, Hyderabad - 500 081
  - Telephone No : (040) 2342 0818
  - Fax : (040) 2342 0814
  - E-mail : einward.ris@karvy.com / suresh.d@karvy.com
- For queries/assistance on issues other than shares (including those related to financial statements) :
  - Shri Tarun Kumar Kabra
  - Company Secretary
  - Hindustan Motors Ltd
  - "Birla Building", 14th Floor
  - 9/1, R. N. Mukherjee Road
  - Kolkata - 700 001
  - Telephone No : (033) 2242-0932
  - Fax No. (033) 22480055
  - E-mail : hmcosecy@hindmotor.com
- 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 Company Secretary.

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

|   |  |   |   |  |
|---|--|---|---|--|
| Name of Director  | Shri A. Sankaranarayanan   | Shri Raj Kamal Johri  | Shri Sanjay Basu  | Shri Uttam Bose  |
| Date of birth   | 29th July, 1942  | 29th August, 1948   | 11th February, 1976   | 17th December, 1961  |
| Date of appointment   | 8th January, 1997  | 6th February, 2014  | 6th February, 2014  | 10th May, 2014   |
| Qualification   | B.E. (Mech)  | M.A., LL.B.   | LL.B.   | B.E. (Mech), MBA   |
| Nature of expertise in specific functional areas  | 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. | Served as Superintendent of Police. Served in Government of India as Deputy Director and as Joint Commissioner Kolkata Police, Inspector General of Police and retired as Additional Director General of Police | Solicitor specializing in corporate matters having experience of about 15 years | As an Engineer of high caliber he has expertise in developing new businesses with domestic & overseas OEMs, talented, effective and motivated leadership team to manage highly efficient manufacturing businesses and building excellent relationship. |
| Names of directorship in other companies (only public limited companies have been considered) | 1 Birlasoft (India) Ltd.<br>2 Neosym Industry Limited<br>3 AVTEC Ltd.  |   |   |  |
| Names of committees of other companies in which the director is a member.                     | 1 Audit Committee of AVTEC Ltd.<br>2 Audit Committee of Birlasoft (India) Ltd.   |   |   |  |
| No. of shares held in the Company   | 1300   |   |   |  |
| Relationships with other Directors  | No   | No  | No  | No   |

The above report was placed before and approved by the Board at its Meeting held on 5th August, 2014.

For and on behalf of the Board of Directors

Kolkata  
5th August, 2014

**Uttam Bose**  
*Director*

**A. Sankaranarayanan**  
*Director*

## Auditor's Certificate

To  
**The Members of Hindustan Motors Limited**

We have examined the compliance of conditions of corporate governance by Hindustan Motors Limited, for six month period ended on March 31, 2014 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

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

For **S.R. BATLIBOI & CO. LLP**

*Chartered Accountants*

ICAI Firm Registration Number: 301003E

*Per Raj Agrawal*

*Partner*

Membership No.: 82028

Place : Kolkata

Date : August 05, 2014

## **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 six month period ended 31st March, 2014, all the applicable accounting standards 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 six month period and of the loss of the Company for that period.
- C. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- D. The Directors have prepared the annual accounts on a going concern basis.

For and on behalf of the Board of Directors

Kolkata  
5th August, 2014

**Uttam Bose**  
*Director*

**A. Sankaranarayanan**  
*Director*

## 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 six month period ended March 31, 2014

A) Employed throughout the financial year (six month period) and were in receipt of Gross remuneration in aggregate of not less than ₹ 6000000/- p.a.

| Name / (Age)    | Designation / Nature of Duties / Experience      | Gross Remuneration (₹) | Net Remuneration (₹) | Qualification           | Date of Commencement of Employment | Particulars of Last Employment. Employer/ Last Post Held / No. of Years - Months. |
|-----------------|--|------------------------|----------------------|-------------------------|------------------------------------|---|
| Bose Uttam (52) | Managing Director ( 28 )                         | 9218808                | 5998616              | B.Tech.(Mech.),<br>MBA  | 02-04-2012                         | Hero Motors Ltd. / Group CEO / 01-07  |
| Goenka Y (46)   | Chief Financial Officer & Company Secretary (21) | 3811960                | 2590193              | B.Com, FCMA,<br>FCS,MBM | 01-04-1993                         | None  |

B) Employed for a part of the financial year (6 month period) and were in receipt of Gross remuneration in aggregate of not less than ₹ 500000/- p.m.

|                |                                    |         |         |      |            |                                      |
|----------------|------------------------------------|---------|---------|------|------------|--------------------------------------|
| Vijayan P (57) | Chief Operating Officer - CCP (38) | 2602671 | 1646711 | ACMA | 04-04-2012 | KMC Constructions / Group CFO/ 01-06 |
|----------------|------------------------------------|---------|---------|------|------------|--------------------------------------|

Gross remuneration includes actual payments and /or taxable value of perquisites and Company's contribution to provident and superannuation funds (excluding gratuity).

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. Uttam Bose.

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

CCP denotes Chennai Car Plant (Tiruvallur).

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

For and on behalf of the Board of Directors

Kolkata  
5th August, 2014

**Uttam Bose**  
Director

**A. Sankaranarayanan**  
Director



## 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. The maximum demand has been kept at 5474 KVA by taking the following measures :
  1. Monitoring peak load time at different Shops.
  2. Reducing the number of man cooler fans.
  3. Optimum use of air conditioners at plant and office level.
- b. Power factor has been maintained at 0.95 resulting in saving in energy cost.

##### At CCP Division :

- a. Operation of Boiler at Pre Treatment System through power from Electricity Board instead of Diesel Generator.
- b. Resetting the operating temperature of the oven to reduce LPG consumption in Paint Shop.
- c. Effective and optimum loading of Body shells in to the Paint Shop Pre Treatment System to reduce Furnace oil consumption.
- d. Replacement of High watts lights in to Low watts lights at PDC and RO Plant.

##### At PTP Division :

- a. The Contract load demand reduced from 600 KVA to 375 KVA.
- b. Power factor has been maintained at 0.96 - 0.97.

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

- |  |   |             |
|--|---|-------------|
| i) Total savings (CCP)                             | : | ₹ 3.85 lacs |
| ii) Energy saving per unit of output at            |   |             |
| a. CCP Division                                    | : | ₹ 408       |
| iii) Energy saving against total cost of energy at |   |             |
| a. CCP Division                                    | : | 1.80%       |

### 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 Remote opening Trunklid in all models of Ambassador.
- b. Compliance of regulatory norms like
  - (i) Introduction of Radio Frequency Identification Tag on all Ambassador Models.
  - (ii) Compliance to AIS : 071 Standard for Identification of Tell Tales, Indicators and Controls for all models of Ambassador and Winner.

(iii) Compliance of Hydraulic Brake hoses to new standard IS: 7079-2008 for all models of Ambassador and Winner.

- c. Introduction of four point mounting turbo charger, Closed loop Engine Ventilation System and Upgraded engine oil specification on Ambassador Encore 1.5 Diesel BS-IV Model as continuous improvement process.

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

- a. Introduction of Remote opening Trunklid in all models of Ambassador resulted in ease of opening and closing of Ambassador trunklid for convenience of customers and also security checks at various important places.
- b. Compliance of regulatory norms/requirements.
- c. Continuous improvement of Product performance.

**3. Future plan of action :**

- a. Compliance of new Central Motor Vehicle Rules on all models of Ambassador and Winner.
- b. Compliance of BS-IV emission norms on models of Winner.
- c. Adaptation of new generation Petrol & Diesel engine on Ambassador.
- d. Re-engineering of Ambassador to develop Sub 4 Meter vehicle.
- e. Development of new MUV (9+1seater) on Winner Chassis Platform.

**B.IB At CCP Division**

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

- a. Extension Type Approval for safety parts of Pajero Sport.

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

- a. Compliance of regulatory norms/requirements.
- b. Decision on launch of Pajero Sport 2 Wheel Drive Automatic Transmission.

**3. Future plans of action : Not applicable.**

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

(For all the divisions taken together)

|                        |                 |
|------------------------|-----------------|
| Capital Expenditure    | : ₹ 0.94 lacs   |
| Recurring              | : ₹ 102.60 lacs |
| Total                  | : ₹ 103.54 lacs |
| Percentage of Turnover | : 0.57 %        |

**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, reasons therefore and future plan of action |
|--|----------------|---|---|--|
| Mitsubishi Outlander with Continuous Variable Transmission     | 2008           | Mitsubishi Motors 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 Evolution with Variable Transmission         | 2010           | -do-  | Technology for CBU route has been fully absorbed                            | N.A.   |
| Mitsubishi Pajero Sport with 4 Wheel Drive Manual Transmission | 2012           | -do-  | Technology for CBU route and in house manufacturing has been fully absorbed | Localisation of chassis parts is under process   |

\* Relating to Chennai Car Plant which was divested during the year under review.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO :**

During the six month period under review the FOB value of exports of goods by the Company aggregated to ₹ 32.78 lacs as against the corresponding figure of ₹ 40.71 lacs for the eighteen month period ended 30th September, 2013.

During the six month period ended 31st March, 2014, the Company has imported components/spare parts, vehicles for trading and capital goods for an aggregate CIF value of ₹ 6135.47 lacs (against a corresponding figure of ₹ 32124.88 lacs for the eighteen month period ended 30th September, 2013). During the six month period ended 31st March, 2014, the Company has also incurred expenditure in foreign currency towards Royalties, Technical know-how fees, Professional and Consultation fees, Interest and other expenses aggregating to ₹ 54.71 lacs (against a corresponding figure of ₹ 203.84 lacs for the eighteen month period ended 30th September, 2013).

For and on behalf of the Board of Directors

Kolkata  
5th August, 2014

**Uttam Bose**  
Director

**A. Sankaranarayanan**  
Director

## INDEPENDENT AUDITOR'S REPORT

To the Members of HINDUSTAN MOTORS LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of Hindustan Motors Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the six month period then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 1956 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss for the six month period ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the six month period ended on that date.

### Emphasis of Matters

We draw attention to following notes to the financial statements;

- a) Note 46 regarding preparation of the accounts on a going concern basis. The Company has been incurring losses and its net worth stands fully eroded and also, its current liabilities exceed its current assets. Also, the Company has sold its Chennai Plant and has suspended operations in its Uttarpara plant. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern, which is dependent on the Company establishing profitable operations.
- b) Note 31 (e) regarding the demand of Government of West Bengal (GoWB) for payment of Rs 19447 lacs along with interest thereon in relation to excess realization of the said sum from the sale of land at Hindmotor, West Bengal, in earlier years. As stated in the said Note, the Company is of the view that it has not committed any default of the said Government Order and based on the legal advice obtained by the Company, no provision is considered necessary by the management against the said claim of GoWB.

Our opinion is not qualified in respect of above matters.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that :
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion proper books of account as required by law, have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs;
  - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For **S.R. BATLIBOI & CO. LLP**

*Chartered Accountants*

ICAI Firm Registration Number : 301003E

*Per Raj Agrawal*

*Partner*

Membership No.: 82028

Place : Kolkata

Date : August 05, 2014

## Annexure to the Auditor's Report

(REFERRED TO IN OUR REPORT OF EVEN DATE TO THE MEMBERS OF HINDUSTAN MOTORS LIMITED AS AT AND FOR SIX MONTH PERIOD ENDED MARCH 31, 2014)

- (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 period 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. In respect of fixed assets lying with third parties, the management has a process of obtaining periodic confirmations. No material discrepancies were noticed on such verification/ confirmations during the period.
- (c) The Company has sold substantial part of its fixed assets representing the Chennai Plant during the period covered by our report. *There exists a doubt that the Company will be able to continue as a going concern in the foreseeable future.* However, the accounts are continued to be prepared on a going concern basis. The financial statements and notes thereto disclose this fact and a matter of emphasis is added in our report.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the period.
- (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. In respect of the materials lying with third parties, the management has a process of periodic confirmation and reconciliation with the third parties.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of Clauses 4 (iii)(a) to (d) of the Order are not applicable to the Company and hence, not commented upon.
- (e) The Company has taken loans from Companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the period was ₹ 1500 lacs and the period-end balance of loans taken from such parties was ₹ Nil.
- (f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (g) The loans taken are re-payable on demand. As informed to us, the principal amount was repaid on demand and there has been no default on the part of the Company. The payment of interest has been regular considering the extended period for payment in some cases.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that substantial portion of the items purchased are of a special nature and alternate sources do not exist for obtaining comparative 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, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company 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 Section 301 have been so entered.



- (b) In our opinion and according to the information and explanations given to us and having regard to the explanation that purchases of certain items of inventories and fixed assets are of proprietary nature for which alternative sources are not available to obtain comparable quotations, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lacs have been entered into during the period at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company 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, related to the manufacture of Vehicles, Spare Parts of Vehicles, Steel Products and Components and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) 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 have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases, except for sales tax, excise duty and municipal tax where there have been serious delays in large number of cases.*
- (b) 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, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the period-end, for a period of more than six months from the date they became payable, *except for sales tax and municipal tax due as mentioned below :*

| Nature of the Statute                 | Nature of dues                                     | Amount (₹ in lacs) | Period to which amount relates | Due date                   | Date of Payment |
|---------------------------------------|--|--------------------|--------------------------------|----------------------------|-----------------|
| The Central Sales Tax Act, 1956       | CST  | 166.83             | April 2013 - August 2013       | May 2013 to September 2013 | Not paid        |
| West Bengal Value Added Tax Act, 2003 | VAT  | 376.31             | April 2013 - August 2013       | May 2013 to September 2013 | Not paid        |
| The Central Sales Tax Act, 1956       | Sales Tax Deferral credit                          | 411.10             | July 2012 to July 2013         | July 2012 to July 2013     | Not paid        |
| West Bengal Sales Tax Act, 1994       | Sales Tax Deferral credit                          | 806.18             | July 2012 to July 2013         | July 2012 to July 2013     | Not paid        |
| The West Bengal Municipal Act, 1993   | Municipal Tax under Uttarpara Kotrung Municipality | 24.14              | April 2012 - March 2013        | April 2013                 | Not paid        |

- (c) According to the records of the Company, the dues outstanding of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows :

| Nature of the Statute                 | Nature of dues  | Amount (₹ in lacs) | Period to which amount relates | Forum where dispute is pending  |
|---------------------------------------|---|--------------------|--------------------------------|---|
| The Central Excise Act, 1944          | Dispute on Account of Classification, Cenvat Credit, Assessable Value, Differential Excise Duty, Input Service Tax Credit, Excise duty on PDI | 3987.15            | 1984-2013                      | CESTAT, High Court / Commissioner (Appeals) / Commissioner/Assistant / Commissioner of Central Excise/ CESTAT, Joint Commissioner |
| The Central Sales Tax Act, 1956       | Stock Transfer, Non-submission of C/D Forms etc.  | 744.91             | 1995-2011                      | Additional Commissioner of Commercial Taxes /High Court / W.B. Commercial tax appellate & revision Board / Deputy Commissioner    |
| Tamil Nadu Sales Tax Act, 1959        | Additional Sales tax etc.   | 5.52               | 1989-1996                      | Assistant Commissioner  |
| West Bengal Sales Tax Act, 1994       | Non Receipt of Sales tax form, Interest, Penalty, Post Return Adjustment etc.   | 0.37               | 2003-2004                      | WB Commercial tax appellate & revision board  |
| West Bengal Value Added Tax Act, 2003 | Disallowance of VAT Credit, enhancement of turnover with wrong calculation and taxed  | 2459.16            | 2007-2011                      | Taxation Tribunal of West Bengal/ West Bengal Commercial tax Appellate & Revision Board/ Additional Commissioner                  |
| West Bengal Value Added Tax Act, 2003 | Provisional assessment for non-filing of returns and non-payment of tax under section 45  | 4437.98            | Jan 2013- June 2013            | Additional Commissioner of Sales Tax - Appeal   |
| The Customs Act, 1956                 | Dispute on account of Classification, Duty on inclusion of Technical Know-how fees on imported goods, import of Engines, Short Levy, etc.     | 28.42              | 1990-2006                      | Commissioner/ Assistant Commissioner Appeals/ Tribunal  |
| M.P. Commercial Tax Act, 1994         | Exemption Notification denied by Commissioner Appeal  | 10.46              | 2002-2003                      | Appellate Board, Bhopal   |

- (x) *The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has not incurred cash loss during the period. In the immediately preceding financial year, the Company has incurred cash loss.*
- (xi) *Based on our audit procedures and as per the information and explanations given to us by the management, the Company has overdrawn cash credit borrowings from bank during the period amounting to ₹ 2065.38 lacs with an overall delay of less than 90 days and ₹ 392.27 lacs with an overall delay of more than 90 days. There were no overdrawn cash credit borrowings as on the balance sheet date. The Company has delayed in repayment of dues to financial institutions and banks during the period to the extent of ₹ 879.33 lacs for less than 90 days and ₹ 439.61 lacs of such dues were in arrears as on the balance sheet date (since paid). The Company did not have any outstanding debentures during the period.*

- (xii) According to the information and explanations given to us and based on the documents and records produced before 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 to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, *we report that the Company has used short term funds amounting to ₹ 6539.97 lacs (previous year ₹ 12863.22 lacs) for long term investment representing financing of the operating losses of the Company.*
- (xviii) The Company has not made any preferential allotment of shares 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 period.
- (xx) The Company has not raised any money through a public issue during the period.
- (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 period.

For **S.R. BATLIBOI & CO. LLP**

*Chartered Accountants*

ICAI Firm Registration Number : 301003E

*Per Raj Agrawal*

*Partner*

Membership No.: 82028

Place : Kolkata

Date : August 05, 2014

**Balance Sheet as at March 31, 2014**

|                                      |       | ₹ in lacs               |                             |
|--------------------------------------|-------|-------------------------|-----------------------------|
|                                      | Notes | As at<br>March 31, 2014 | As at<br>September 30, 2013 |
| <b><u>EQUITY AND LIABILITIES</u></b> |       |                         |                             |
| <b>A. SHAREHOLDERS' FUNDS</b>        |       |                         |                             |
| Share Capital                        | 2     | 9247.08                 | 9247.08                     |
| Reserves and Surplus                 | 3     | (12740.48)              | (12406.72)                  |
|                                      |       | <b>(3493.40)</b>        | <b>(3159.64)</b>            |
| <b>B. NON-CURRENT LIABILITIES</b>    |       |                         |                             |
| Deferred Tax Liability (Net)         | 4     | -                       | -                           |
| Other Long-Term Liabilities          | 5     | 442.87                  | 1339.94                     |
| Long-Term Provisions                 | 6     | 878.80                  | 789.62                      |
|                                      |       | <b>1321.67</b>          | <b>2129.56</b>              |
| <b>C. CURRENT LIABILITIES</b>        |       |                         |                             |
| Short-Term Borrowings                | 7     | 1878.40                 | 7170.79                     |
| Trade Payables                       | 8     | 4862.43                 | 7982.99                     |
| Other Current Liabilities            | 9     | 13461.24                | 11782.86                    |
| Short-Term Provisions                | 10    | 868.39                  | 775.61                      |
|                                      |       | <b>21070.46</b>         | <b>27712.25</b>             |
|                                      |       | <b>18898.73</b>         | <b>26682.17</b>             |
| <b><u>ASSETS</u></b>                 |       |                         |                             |
| <b>D. NON-CURRENT ASSETS</b>         |       |                         |                             |
| Fixed Assets                         |       |                         |                             |
| Tangible Assets                      | 11    | 3720.35                 | 10517.36                    |
| Intangible Assets                    | 11    | 188.32                  | 1299.08                     |
| Capital Work-In-Progress             |       | -                       | 48.66                       |
| Intangible Assets under Development  |       | -                       | 23.44                       |
|                                      |       | <b>3908.67</b>          | <b>11888.54</b>             |
| Non-Current Investments              | 12    | 13.94                   | 1844.76                     |
| Long-Term Loans and Advances         | 13    | 590.11                  | 770.66                      |
| Other Non-Current Assets             | 14    | 2086.63                 | -                           |
|                                      |       | <b>6599.35</b>          | <b>14503.96</b>             |
| <b>E. CURRENT ASSETS</b>             |       |                         |                             |
| Inventories                          | 15    | 1517.62                 | 8132.99                     |
| Trade Receivables                    | 16    | 1816.12                 | 2068.39                     |
| Cash and Bank Balances               | 17    | 89.08                   | 712.82                      |
| Short-Term Loans and Advances        | 18    | 335.14                  | 1258.57                     |
| Other Current Assets                 | 19    | 8541.42                 | 5.44                        |
|                                      |       | <b>12299.38</b>         | <b>12178.21</b>             |
|                                      |       | <b>18898.73</b>         | <b>26682.17</b>             |

**Significant Accounting Policies** 1.2

The accompanying notes are an integral part of the financial statements

As per our report of even date.

For **S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration Number : 301003E

Per **Raj Agrawal**

Partner

Membership No.: 82028

Place: Kolkata

Date : August 05, 2014

**Tarun Kumar Kabra**

Company Secretary

**Aniruddha Sarkar**

Chief Financial Officer and

Head Legal

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

**A. Sankaranarayanan**

Director

**Uttam Bose**

Director

## Statement of Profit and Loss for 6 month period from October 1, 2013 to March 31, 2014

₹ in lacs

|  | Notes | 2013-2014<br>(6 Months) | 2012-2013<br>(18 Months) |
|--|-------|-------------------------|--------------------------|
| <b>A. INCOME</b>   |       |                         |                          |
| Revenue from Operations (Gross)  | 20    | 22581.37                | 88077.69                 |
| Less : Excise Duty   |       | 4303.26                 | 15788.24                 |
| Revenue from Operations (Net)  |       | 18278.11                | 72289.45                 |
| Other Income   | 21    | 619.05                  | 1173.29                  |
|  |       | <b>18897.16</b>         | <b>73462.74</b>          |
| <b>B. EXPENSES</b>   |       |                         |                          |
| Cost of Raw Materials and Components Consumed  | 22    | 11252.14                | 42565.53                 |
| Purchase of Traded Goods   | 23    | 2464.84                 | 17843.00                 |
| Decrease / (Increase) in Stocks  | 24    | 1219.59                 | (1575.91)                |
| Employee Benefits Expense  | 25    | 4370.01                 | 13614.98                 |
| Finance Costs  | 26    | 5644.69                 | 3088.90                  |
| Depreciation and Amortisation Expense  | 27    | 844.45                  | 2197.16                  |
| Other Expenses   | 28    | 3446.88                 | 11728.39                 |
|  |       | <b>29242.60</b>         | <b>89462.05</b>          |
| <b>Profit / (Loss) Before Exceptional Items and Tax</b>  |       | <b>(10345.44)</b>       | <b>(15999.31)</b>        |
| Add: Exceptional Items   | 29    | 10274.60                | 8001.22                  |
| <b>Profit / (Loss) Before Tax</b>  |       | <b>(70.84)</b>          | <b>(7998.09)</b>         |
| [including loss of ₹ 202.79 lacs (loss of ₹ 2333.63 lacs) for discontinued operations - Refer Note 48] |       |                         |                          |
| Tax Expenses   |       |                         |                          |
| Current Tax  |       | 236.57                  | -                        |
| Deferred Tax Charge / (Credit)   |       | -                       | (877.90)                 |
| Income Tax for Earlier Years (Net of write back)   |       | -                       | 0.16                     |
| <b>Total Tax Expenses / (Credit)</b>   |       | <b>236.57</b>           | <b>(877.74)</b>          |
| [including ₹ Nil (credit of ₹ 542.44 lacs) for discontinued operations - Refer Note 48]                |       |                         |                          |
| <b>Profit / (Loss) for the period</b>  |       | <b>(307.41)</b>         | <b>(7120.35)</b>         |
| [including loss of ₹ 202.79 lacs (loss of ₹ 1791.19 lacs) for discontinued operations - Refer Note 48] |       |                         |                          |
| Earning per Equity Share (Nominal value of Share ₹ 5)  | 32    |                         |                          |
| Basic  | ₹     | (0.17)                  | (3.89)                   |
| Diluted  | ₹     | (0.17)                  | (3.89)                   |

### Significant Accounting Policies

1.2

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

As per our report of even date.

For **S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration Number : 301003E

Per **Raj Agrawal**  
Partner

Membership No.: 82028

Place: Kolkata

Date : August 05, 2014

**Tarun Kumar Kabra**  
Company Secretary

**Aniruddha Sarkar**  
Chief Financial Officer and  
Head Legal

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

**A. Sankaranarayanan**  
Director

**Uttam Bose**  
Director

## Cash Flow Statement for 6 month period from October 1, 2013 to March 31, 2014

₹ in lacs

|  | 2013 - 2014<br>(6 Months) | 2012 - 2013<br>(18 Months) |
|--|---------------------------|----------------------------|
| <b>(A) CASH FLOW FROM OPERATING ACTIVITIES :</b>   |                           |                            |
| NET PROFIT / (LOSS) BEFORE TAX   | (70.84)                   | (7998.09)                  |
| ADJUSTMENTS FOR :  |                           |                            |
| Depreciation and amortisation Expense  | 844.45                    | 2197.16                    |
| Exceptional Income   | (10274.60)                | (8001.22)                  |
| Interest Income  | (15.55)                   | (210.97)                   |
| Finance Costs  | 5644.69                   | 3088.90                    |
| Unspent Liabilities and Provisions no longer required written back                                 | (273.91)                  | (666.75)                   |
| Provision for doubtful debts and advances (Net)  | 31.18                     | 70.47                      |
| Irrecoverable Debts, Claims and Advances written off   | 247.34                    | 168.12                     |
| Unrealised Foreign Exchange Loss (Gain) [Net]  | (136.91)                  | 151.86                     |
| Net Loss on Fixed Assets Sold/Discarded  | 47.52                     | 110.20                     |
| Dividend Income  | -                         | (61.90)                    |
| <b>OPERATING (LOSS) BEFORE WORKING CAPITAL CHANGES</b>   | <b>(3956.63)</b>          | <b>(11152.22)</b>          |
| <b>Movement in working capital</b>   |                           |                            |
| Increase/(Decrease) in Other Long Term Liabilities   | (128.30)                  | 820.96                     |
| Increase/(Decrease) in Trade Payable and Other Current Liabilities                                 | (2297.27)                 | 2229.43                    |
| Increase/(Decrease) in Long Term provisions  | 162.11                    | 141.31                     |
| Increase/(Decrease) in Short Term provisions   | (7.95)                    | 509.70                     |
| Decrease/ (Increase) in Trade Receivables  | (790.57)                  | (1415.81)                  |
| Decrease/ (Increase) in Long-Term Loans and Advances and Other Non-Current Assets                  | 38.70                     | (280.27)                   |
| Decrease/ (Increase) in Short-Term Loans and Advances and Other Current Assets                     | 411.27                    | 173.29                     |
| Decrease/ (Increase) in Inventories  | 4184.60                   | (1948.42)                  |
| <b>CASH USED IN OPERATIONS</b>   | <b>(2384.04)</b>          | <b>(10922.03)</b>          |
| Add: Current Tax (Paid) / Refund (Net)   | (22.21)                   | 15.89                      |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>   | <b>(2406.25)</b>          | <b>(10906.14)</b>          |
| <b>(B) CASH FLOW FROM INVESTING ACTIVITIES :</b>   |                           |                            |
| Sale of Fixed Assets   | 222.01                    | 229.98                     |
| Sale of Chennai Car Plant pursuant to Business Transfer Agreement (Refer note 47)                  | 5115.31                   | -                          |
| Dividend Received  | -                         | 61.90                      |
| Proceeds from Sale of Investments  | 3195.14                   | 14687.51                   |
| Interest Received on Fixed Deposits and others   | 15.55                     | 222.33                     |
| Purchase of Fixed Assets   | (471.89)                  | (1819.00)                  |
| Proceeds from Fixed Deposit Matured  | -                         | 1576.66                    |
| Investment in Fixed Deposits   | (0.17)                    | -                          |
| <b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>  | <b>8075.95</b>            | <b>14959.38</b>            |
| <b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>   |                           |                            |
| Repayment of Long Term borrowings  | (439.72)                  | (1157.54)                  |
| Net Increase / (Decrease) in Intercompany Deposits and others                                      | (4672.39)                 | (2600.70)                  |
| Proceeds from Issue of Share Capital   | -                         | 1084.12                    |
| Interest Paid  | (893.46)                  | (2663.31)                  |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>   | <b>(6005.57)</b>          | <b>(5337.43)</b>           |
| <b>NET CHANGES IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>  | <b>(335.87)</b>           | <b>(1284.19)</b>           |
| <b>CASH &amp; CASH EQUIVALENTS - BEGINNING OF THE YEAR</b>   | <b>702.45</b>             | <b>1986.64</b>             |
|  | <b>366.58</b>             | <b>702.45</b>              |
| Less : Cash & Cash Equivalents transferred pursuant to Business Transfer Agreement (refer Note 47) | 288.04                    | -                          |
| <b>CASH &amp; CASH EQUIVALENTS - AT THE END OF THE YEAR</b>  | <b>78.54</b>              | <b>702.45</b>              |
|  | 78.54                     | 702.45                     |
| Other Bank Balances  | 10.54                     | 10.37                      |
| <b>Cash and Bank Balances as per Note 17.</b>  | <b>89.08 *</b>            | <b>712.82</b>              |

\* Includes ₹ 1.93 lacs (₹ 1.95 lacs) lying in Unpaid Dividend Account and ₹ 10.54 lacs (₹ 10.37 lacs) lying as Margin money deposit having restrictive use.

**Note :** The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard-3 on Cash Flow Statements as notified by Companies (Accounting Standard) Rules, 2006 (as amended).

As per our report of even date.

For **S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration Number : 301003E

Per **Raj Agrawal**

Partner

Membership No.: 82028

Place: Kolkata

Date : August 05, 2014

**Tarun Kumar Kabra**  
Company Secretary

**Aniruddha Sarkar**  
Chief Financial Officer and  
Head Legal

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

**A. Sankaranarayanan**  
Director

**Uttam Bose**  
Director



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## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014

### 1.0 Nature of Operation :

Hindustan Motors Limited having its manufacturing facilities at Uttarpara and Pithampur, is primarily engaged in the manufacture and sale of Vehicles, Spare Parts of Vehicles, Steel Products and Components. The Company is also engaged in Trading of Spare Parts of Vehicles. During the period, the Company has transferred its manufacturing facility, Chennai Car Plant at Tiruvallur to Hindustan Motor Finance Corporation Limited, pursuant to Business Transfer Agreement (Refer Note 47 below).

### 1.1 Basis of Preparation :

The financial statements have been prepared to comply in all material respects with the accounting principles generally accepted in India, including mandatory Accounting Standards notified under the Companies (Accounting Standard) Rules, 2006 (as amended) read with General Circular 8/2014 dated 4th April 2014, issued by the Ministry of Corporate Affairs ('MCA') under the historical cost convention and on an accrual basis. The accounting policies, in all material respects, have been consistently applied by the Company and are consistent with those used in the previous year.

### 1.2 Significant Accounting Policies :

#### (i) 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.
- (c) Interest is recognised on a time proportion basis taking into account the amount outstanding and rate applicable.
- (d) Dividend income is recognised when the Company's right to receive dividend is established by the reporting date.

#### (ii) Fixed Assets :

- (a) Fixed Assets are stated at cost of acquisition inclusive of duties (net of Cenvat and Value Added Tax credits), taxes, incidental expenses, erection / commissioning expenses and technical know-how fees etc. up to the date the asset is ready for its intended use, less accumulated depreciation and impairment losses, if any. 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 revaluation reserve.
- (b) Machinery spares which can be used only in connection with an item of fixed asset and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual useful lives 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 using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets.

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

- (d) Assets awaiting disposal are valued at lower of written down value and net realisable value and disclosed separately.

### (iii) 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 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 not intended for trading or speculation purpose** :

The premium or discount arising at the inception of forward exchange contracts is amortised as expense 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.

### (iv) Depreciation :

- (a) Depreciation on Fixed Assets is provided on Straight Line Method at the rates arrived at on the basis of their useful lives, which are equivalent to the rates specified in Schedule XIV of the Companies Act, 1956, except for vehicles used for Research and Development purpose, which are depreciated @ 20% p.a. which is higher than the rate prescribed under Schedule XIV of the Companies Act, 1956. The Company has a process of reassessment of useful life of assets and wherever necessary, the accelerated depreciation is provided.
- (b) The classification of Plant and Machinery into continuous and non-continuous process is done as per technical certification and depreciation thereon is provided accordingly.
- (c) Technical Know-how fees included under the head "Intangible Assets" are amortised over the period of respective agreements or over the useful life of 10 years, whichever is lower. Other Intangible Assets are amortised over a period of three to five years on a straight line basis, being their estimated useful lives.
- (d) Depreciation includes the amount amortised in respect of leasehold land over the respective lease period.

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

- (e) Depreciation on revalued assets is provided at the rates specified under Section 205(2)(b) of the Companies Act, 1956 or at the rates based on their estimated useful lives, 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 asset over its remaining useful life.

**(v) 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.

**(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 Statement of Profit and Loss on a straight line basis over the lease term.

**(vi) Intangibles :**

Technical know-how fees/ acquired computer software and licenses are capitalized on the basis of costs incurred to bring the specific intangibles to its intended use.

**Research and Development Costs**

Research and Development costs are expensed, except for certain development expenses which are capitalized if commercial and technological feasibility criteria are met. Expenditure already charged to Statement of Profit and Loss is not restated.

**(vii) Investments :**

- (a) Investments that are readily realizable and intended to be held for not more than one year, are classified as current investments. All other investments are classified as long-term investments.
- (b) 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.
- (c) Investments in equity shares of foreign companies are considered at the exchange rates prevailing on the date of their acquisition.

**(viii) Inventories :**

- (a) Inventories are valued at lower of cost, computed on annual weighted / moving average basis, and net realisable value.

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

- (b) The closing stock of materials inter-transferred from one unit to another is valued at cost 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.
- (d) Cost of finished goods and work in progress include direct materials, labour and an appropriate proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

**(ix) 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.

**(x) Cash & Cash Equivalents :**

Cash and Cash equivalents comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

**(xi) Derivative Instruments :**

Derivative instruments, except for forward exchange contracts, which are not intended for trading or speculation but as hedge for underlying transactions, are accounted as per ICAI announcement. Derivative contracts, other than those covered under Accounting Standard - 11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effects on the underlying hedge item, is charged to the income statement. Net gains are ignored.

**(xii) Retirement & other employee benefits :**

**(a) Defined Contribution plans :**

Company's contributions to Provident Fund and Superannuation Scheme are charged to Statement of Profit & Loss 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 Funds.

**(b) Defined benefit and long term employee benefit plans :**

Gratuity liability and compensated leave liability in the form of accumulated leaves 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 as income or expense.

The Company treats accumulated leaves expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. The Company presents the leaves as a current liability in the Balance Sheet, to the extent it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

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## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

### (xiii) 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. Exchange differences arising from foreign currency borrowings to the extent that they are regarded as finance costs in terms of the Accounting Standard 16 are considered as borrowing cost.

### (xiv) 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.

### (xv) Taxation :

- (a) Tax expenses comprise of current & deferred tax. Current income 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 reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.
- (b) Deferred tax is accounted for using the tax rates and laws that have been substantively enacted at 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, all 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) At each Balance Sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

### (xvi) Segment Reporting :

#### (a) Identification of Segments :

The Company has identified that its business 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.

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

(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 segments 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.

(xvii) **Product related Warranty Claims :**

Provision for product related warranty 'costs' is based on the claims received up to 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.

(xviii) **Contingencies :**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation.

(xix) **Earnings per share :**

Basic 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.

(xx) **Use of Estimates :**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

₹ in lacs

As at  
March 31, 2014      As at  
September 30, 2013

### A. SHAREHOLDERS' FUND

#### NOTE 2 : SHARE CAPITAL

##### Authorised

|   |                 |                 |
|---|-----------------|-----------------|
| 33,00,00,000 (33,00,00,000) Equity Shares of ₹ 5 each         | 16500.00        | 16500.00        |
| 55,00,00,000 (55,00,00,000) Unclassified Shares of ₹ 100 each | 5500.00         | 5500.00         |
|   | <b>22000.00</b> | <b>22000.00</b> |

##### Issued

|   |                |                |
|---|----------------|----------------|
| 18,51,89,297 (18,51,89,297) Equity Shares of ₹ 5 each | <b>9259.46</b> | <b>9259.46</b> |
|---|----------------|----------------|

##### Subscribed and Paid-up

|   |                |                |
|---|----------------|----------------|
| 18,47,71,993 (18,47,71,993) Equity Shares of ₹ 5 each fully paid up | 9238.60        | 9238.60        |
| Add : Forfeited Shares (amount originally paid-up)                  | 8.48           | 8.48           |
|   | <b>9247.08</b> | <b>9247.08</b> |

- a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period.

##### Equity Shares - Subscribed and Paid up (Nos.)

|  |              |              |
|--|--------------|--------------|
| At the beginning of the period                         | 18,47,71,993 | 17,29,71,993 |
| Add : Issue of Equity Shares on conversion of Warrants | -            | 1,18,00,000  |
| Outstanding at the end of the period                   | 18,47,71,993 | 18,47,71,993 |

- b) **Terms / Rights attached to Equity Shares**

The Company has only one class of equity shares issued and subscribed of face value of ₹ 5 per share. Each holder of equity share is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive assets of the Company remaining after settlement of all liabilities. The distribution will be in proportion to the number of equity shares held by the shareholders. In the event of declaration of final dividend by the Company, approval of shareholders will be required in its Annual General Meeting. As the Company is under Corporate Debt Restructuring Scheme, declaration of dividend would also require approval of the Lenders.

- c) As per records of the Company, details of Shareholders holding more than 5% Equity Shares in the Company as on the balance sheet date.

| Name of Shareholders               | As at March 31, 2014 |              | As at September 30, 2013 |              |
|------------------------------------|----------------------|--------------|--------------------------|--------------|
|                                    | No. of Shares        | % of Holding | No. of Shares            | % of Holding |
| National Bearing Co. (Jaipur) Ltd. | 2,26,12,354          | 12.24%       | 2,26,12,354              | 12.24%       |
| Central India Industries Ltd.      | 1,84,00,600          | 9.96%        | 1,84,00,600              | 9.96%        |

As per records of the Company, including its register of Shareholders / Members and other declarations received from Shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of Shares.



## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

|   | ₹ in lacs                |                             |
|---|--------------------------|-----------------------------|
|   | As at<br>March 31, 2014  | As at<br>September 30, 2013 |
| <b>A. SHAREHOLDERS' FUND</b>                                      |                          |                             |
| <b>NOTE 3 : RESERVES AND SURPLUS</b>                              |                          |                             |
| a) <b>Capital Reserve</b>   |                          |                             |
| As per last account   | 3.53                     | 3.53                        |
| b) <b>Securities Premium Account</b>                              |                          |                             |
| As per last year  | 1711.00                  | 855.50                      |
| Add : Received on Issue of Shares                                 | –                        | 855.50                      |
|   | <u>1711.00</u>           | <u>1711.00</u>              |
| c) <b>Revaluation Reserve</b>                                     |                          |                             |
| As per last account   | 756.17                   | 756.28                      |
| Less : Adjusted towards assets sold                               | 26.31                    | –                           |
| Less : Transferred to Depreciation Account                        | 0.04                     | 0.11                        |
|   | <u>729.82</u>            | <u>756.17</u>               |
| d) <b>Central Subsidy</b>   |                          |                             |
| As per last account   | 15.00                    | 15.00                       |
| e) <b>Surplus / (Deficit) in the Statement of Profit and Loss</b> |                          |                             |
| As per last account   | (14892.42)               | (7772.07)                   |
| Add: Profit / (Loss) for the period                               | (307.41)                 | (7120.35)                   |
|   | <u>(15199.83)</u>        | <u>(14892.42)</u>           |
|   | <u><b>(12740.48)</b></u> | <u><b>(12406.72)</b></u>    |

### B. NON-CURRENT LIABILITIES

#### NOTE 4 : DEFERRED TAX LIABILITY (NET)

|   |                |                |
|---|----------------|----------------|
| Deferred tax liability arising on account of :              |                |                |
| Timing Difference in Depreciable Assets                     | 749.82         | 2316.53        |
| Deferred tax assets arising on account of :                 |                |                |
| Expenses allowable against taxable income in future years   | 1865.52        | 1425.57        |
| Unabsorbed depreciation and carried forward business losses | 3011.39        | 4856.74        |
|   | <u>4876.91</u> | <u>6282.31</u> |
|   | (4127.09)      | (3965.78)      |
| Less : Deferred Tax Asset not recognised (Refer Note below) | 4127.09        | 3965.78        |
|   | <u>–</u>       | <u>–</u>       |

In terms of accounting policy (1.2)(xv)(b) followed by the Company, deferred tax assets of ₹ 4127.09 lacs (₹ 3965.78 lacs) have not been recognised.

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

|   | As at<br>March 31, 2014 | As at<br>September 30, 2013 |
|---|-------------------------|-----------------------------|
| ₹ in lacs   |                         |                             |
| <b>B. NON-CURRENT LIABILITIES</b>   |                         |                             |
| <b><u>NOTE 5 : OTHER LONG TERM LIABILITIES</u></b>  |                         |                             |
| Trade Payables  | 216.21                  | 285.32                      |
| Amount payable under Voluntarily Retirement Schemes   | 61.69                   | 96.73                       |
| Payable against Purchase of Fixed Assets  | –                       | 583.12                      |
| Security and Other Deposits   | 164.97                  | 374.77                      |
|   | <u>442.87</u>           | <u>1339.94</u>              |
| <b><u>NOTE 6 : LONG-TERM PROVISIONS</u></b>   |                         |                             |
| Gratuity (Refer Note 37)  | 878.80                  | 721.33                      |
| Warranties (Refer Note 33)  | –                       | 68.29                       |
|   | <u>878.80</u>           | <u>789.62</u>               |
| <b>C. CURRENT LIABILITIES</b>   |                         |                             |
| <b><u>NOTE 7 : SHORT TERM BORROWINGS</u></b>  |                         |                             |
| <b>SECURED</b>  |                         |                             |
| From Banks  |                         |                             |
| Cash Credits  | 458.83                  | 993.25                      |
| Buyers Credit in foreign currency   | 919.57                  | 2612.54                     |
|   | <u>1378.40</u>          | <u>3605.79</u>              |
| <b>UNSECURED</b>  |                         |                             |
| Deposits from :   |                         |                             |
| Associate companies (Ceased to be associates during the period)   | 500.00                  | 515.00                      |
| Other Bodies corporate  | –                       | 3050.00                     |
|   | <u>500.00</u>           | <u>3565.00</u>              |
| <b>TOTAL</b>  | <u>1878.40</u>          | <u>7170.79</u>              |
| a) Cash Credits facilities from Banks ₹ 458.83 lacs (₹ 993.25 lacs) and buyers credit ₹ 919.57 lacs (₹ 2612.54 lacs) together with interest and other charges thereon, are secured by a mortgage on a part of the Company's land together with other immovable assets thereon (including assets of Chennai Car Plant sold to Hindustan Motor Finance Corporation Limited-Refer Note 47), both present and future, and by way of a hypothecation charge over all the movable assets including book debts of the Company (including assets of Chennai Car Plant sold to Hindustan Motor Finance Corporation Limited-Refer Note 47). Cash Credit is repayable on demand and carries interest @ 10.897 % p.a. on monthly rest. Buyers credit is taken for a period ranging from 3 to 6 months and carries interest ranging from Libor plus 0.57% to 0.75% p.a. The charges referred above along with those referred to in Note. 9 (a) rank pari-passu amongst various Financial Institutions and Banks. |                         |                             |
| b) Inter corporate deposits are generally taken for a term of three months, while some of them are also repayable on demand and carry interest @ 11% to 16.50% p.a. Aggregate amount of Loans payable on demand amounts to ₹ 500.00 lacs (₹ 1565.00 lacs).  |                         |                             |
| <b><u>NOTE 8 : TRADE PAYABLES</u></b>   |                         |                             |
| Goods and Services  | 4862.43                 | 7982.99                     |
| [Including Acceptances ₹ 1984.41 lacs (₹ 1851.09 lacs)]   |                         |                             |
| (Refer Note 35 for details of dues to micro and small enterprises)  |                         |                             |

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

|   | ₹ in lacs               |                             |
|---|-------------------------|-----------------------------|
|   | As at<br>March 31, 2014 | As at<br>September 30, 2013 |
| <b>C. CURRENT LIABILITIES</b>   |                         |                             |
| <b>NOTE 9 : OTHER CURRENT LIABILITIES</b>                                 |                         |                             |
| Current maturities of Long-Term Borrowings :                              |                         |                             |
| Sales Tax Deferral Credit   | 1791.50                 | 1791.50                     |
| Term Loan from  |                         |                             |
| Banks   | 347.41                  | 694.82                      |
| Financial Institutions  | 92.20                   | 184.51                      |
| Current portion of amount payable under<br>Voluntarily Retirement Schemes | 87.50                   | 97.67                       |
| Interest accrued on borrowings :  |                         |                             |
| Due   | 95.55                   | 244.96                      |
| Not due   | 4949.53                 | 65.47                       |
| Advance against Sales   | 512.33                  | 277.47                      |
| Statutory dues payable  | 2363.09                 | 4295.58                     |
| Payable against Purchase of Fixed Assets                                  | 58.30                   | 723.09                      |
| Forward Contract Payable  | 9.27                    | -                           |
| Liabilities for Expenses on Employee Benefits                             | 1790.86                 | 1604.58                     |
| Liabilities for Other Expenses  | 856.58                  | 1039.09                     |
| Other Payables  | 498.38                  | 746.64                      |
| Security and Other Deposits   | 6.79                    | 15.53                       |
| Investor Education and Protection Fund *                                  |                         |                             |
| Unpaid Dividend   | 1.95                    | 1.95                        |
|   | <b>13461.24</b>         | <b>11782.86</b>             |

\* Amount not deposited as the cases are sub-judice.

### Notes :

- Term Loans ₹ 439.61 lacs (₹ 879.33 lacs) from the Financial Institutions and Banks together with interest and other charges thereon, are secured by a mortgage on a part of the Company's land with other immovable assets thereon (including assets of Chennai Car Plant sold to Hindustan Motor Finance Corporation Limited-Refer Note 47), both present and future, and by way of a hypothecation charge over all the movable assets including book debts of the Company (including assets of Chennai Car Plant sold to Hindustan Motor Finance Corporation Limited-Refer Note 47). These charges along with those referred to in Note 7(a) rank pari-passu amongst various Financial Institutions and Banks.
- Term Loans from Banks and Financial Institutions carry interest @ 10.897% and 11% p.a. on monthly / quarterly rest respectively.
- Term Loans from Banks and Financial Institutions as detailed below, became due during the period but have not been paid as on the Balance Sheet date.

| Due date          | ₹ in lacs        |             |
|-------------------|------------------|-------------|
|                   | Principal Amount | Interest    |
| January 31, 2014  | 96.03            | 0.42        |
| February 28, 2014 | 96.09            | 2.50        |
| March 31, 2014    | 247.49           | 6.24        |
|                   | <b>439.61</b>    | <b>9.16</b> |

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

₹ in lacs

As at  
March 31, 2014      As at  
September 30, 2013

### C. CURRENT LIABILITIES

- d) Sales tax deferral credit of ₹ 1791.50 lacs includes ₹ 1471.95 lacs as detailed below, which became due but has not been paid as on the Balance Sheet date. Sales Tax Deferral Credit is interest free.

₹ in lacs

| <u>Due date</u>                         | <u>Principal Amount</u> | <u>Interest on overdue</u> |
|---|-------------------------|----------------------------|
| Became due in the previous period ended |                         |                            |
| September 30, 2013                      | 1061.87                 | 155.41                     |
| October 31, 2013                        | 211.10                  | 10.48                      |
| January 31, 2014                        | 198.98                  | 3.86                       |
|   | <u>1471.95</u>          | <u>169.75</u>              |

#### NOTE 10 : SHORT-TERM PROVISIONS

|   |               |               |
|---|---------------|---------------|
| Leave Liability   | 626.64        | 634.86        |
| Warranties (Refer Note 33)                              | 43.74         | 140.75        |
| Provision for Taxation                                  | 198.01        | -             |
| [Net of tax deducted at source of ₹ 38.56 lacs (₹ Nil)] |               |               |
|   | <u>868.39</u> | <u>775.61</u> |

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

### NOTE 11 : FIXED ASSETS

₹ in lacs

| Particulars                       | Tangible Assets |                |                     |                   |                      |                  |          | Intangible Assets |          |                    |                     |         |
|-----------------------------------|-----------------|----------------|---------------------|-------------------|----------------------|------------------|----------|-------------------|----------|--------------------|---------------------|---------|
|                                   | Freehold Land   | Leasehold Land | Buildings (b) & (c) | Plant & Equipment | Furniture & Fixtures | Office Equipment | Vehicles | Total             | Software | Technical Know How | Product Development | Total   |
| <b>At Cost or Revalued Amount</b> |                 |                |                     |                   |                      |                  |          |                   |          |                    |                     |         |
| <i>As at April 1, 2012</i>        | 694.81          | 17.72          | 9178.71             | 34890.53          | 486.72               | 954.36           | 878.22   | 47101.07          | 223.04   | 812.48             | -                   | 1035.52 |
| Additions (a)                     | -               | -              | 19.04               | 1975.85           | 2.76                 | 3.48             | 162.10   | 2163.23           | 8.27     | 1119.62            | 186.69              | 1314.58 |
| Disposals                         | -               | -              | -                   | 4359.74           | 9.12                 | 166.49           | 369.35   | 4904.70           | -        | 138.75             | -                   | 138.75  |
| <i>As at September 30, 2013</i>   | 694.81          | 17.72          | 9197.75             | 32506.64          | 480.36               | 791.35           | 670.97   | 44359.60          | 231.31   | 1793.35            | 186.69              | 2211.35 |
| Additions (a)                     | -               | -              | 2.30                | 124.22            | -                    | 1.96             | 79.16    | 207.64            | -        | -                  | 20.00               | 20.00   |
| Disposals (e)                     | 34.73           | -              | 4983.57             | 14877.80          | 135.21               | 391.75           | 331.73   | 20754.79          | 65.30    | 1793.35            | -                   | 1858.65 |
| <i>As at March 31, 2014</i>       | 660.08          | 17.72          | 4216.48             | 17753.06          | 345.15               | 401.56           | 418.40   | 23812.45          | 166.01   | -                  | 206.69              | 372.70  |
| <b>Depreciation</b>               |                 |                |                     |                   |                      |                  |          |                   |          |                    |                     |         |
| <i>As at April 1, 2012</i>        | -               | 4.32           | 5342.01             | 29723.04          | 403.62               | 732.52           | 456.20   | 36661.71          | 77.72    | 521.19             | -                   | 598.91  |
| Charge for the period             | -               | 0.28           | 306.41              | 1188.47           | 27.65                | 77.82            | 144.53   | 1745.16           | 77.32    | 368.57             | 6.22                | 452.11  |
| Disposals                         | -               | -              | -                   | 4198.38           | 5.17                 | 154.00           | 207.08   | 4564.63           | -        | 138.75             | -                   | 138.75  |
| <i>As at September 30, 2013</i>   | -               | 4.60           | 5648.42             | 26713.13          | 426.10               | 656.34           | 393.65   | 33842.24          | 155.04   | 751.01             | 6.22                | 912.27  |
| Charge for the period             | -               | 0.09           | 99.39               | 407.57            | 3.30                 | 21.23            | 51.90    | 583.48            | 60.97    | 179.36             | 20.67               | 261.00  |
| Disposals (e)                     | -               | -              | 2389.43             | 11335.54          | 110.83               | 337.18           | 160.64   | 14333.62          | 58.52    | 930.37             | -                   | 988.89  |
| <i>As at March 31, 2014</i>       | -               | 4.69           | 3358.38             | 15785.16          | 318.57               | 340.39           | 284.91   | 20092.10          | 157.49   | -                  | 26.89               | 184.38  |
| <b>Net Block</b>                  |                 |                |                     |                   |                      |                  |          |                   |          |                    |                     |         |
| <i>As at September 30, 2013</i>   | 694.81          | 13.12          | 3549.33             | 5793.51           | 54.26                | 135.01           | 277.32   | 10517.36          | 76.27    | 1042.34            | 180.47              | 1299.08 |
| <i>As at March 31, 2014</i>       | 660.08          | 13.03          | 858.10              | 1967.90           | 26.58                | 61.17            | 133.49   | 3720.35           | 8.52     | -                  | 179.80              | 188.32  |

**Notes :**

(a) Includes Capital Expenditure on Scientific Research ₹ 0.94 Lac (₹ 37.28 Lac).

(b) Includes ₹ 4.50 Lacs (₹ 4.50 Lacs) being the value of shares in Co-operative Housing Societies.

(c) Includes proportionate cost of a part of Building (on leasehold land) and Other Assets amounting to ₹ 0.87 Lac (₹ 0.87 Lac) held in Joint Ownership basis with others at Kolkata.

(d) Land and Buildings at Uttarpara Unit were revalued during the year ended 31 March 1984 and the resulting surplus thereon was transferred to Revaluation Reserve.

(e) Includes ₹ 21586.10 lacs (Gross Block) and ₹ 14511.39 lacs (Accumulated Depreciation) related to Chennai Car Plant which has been sold to Hindustan Motor Finance Corporation Limited pursuant to Business Transfer Agreement (Refer Note 47)

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

|  |        |           |            | ₹ in lacs      |                    |
|--|--------|-----------|------------|----------------|--------------------|
|  |        |           |            | As at          | As at              |
|  |        |           |            | March 31, 2014 | September 30, 2013 |
| <b>D. NON-CURRENT ASSETS</b>   |        |           |            |                |                    |
|  |        | Number of | Face Value |                |                    |
|  |        | Shares    | Per Share  |                |                    |
|  |        |           | ₹          |                |                    |
| <b>NOTE : 12 NON CURRENT INVESTMENTS</b>   |        |           |            |                |                    |
| <b>OTHER THAN TRADE-FULLY PAID (UNQUOTED) (AT COST)</b>  |        |           |            |                |                    |
| <b>GOVERNMENT SECURITIES</b>   |        |           |            |                |                    |
| 12 Year National Planning Certificates   |        |           |            | 0.02           | 0.02               |
| 12 Year National Defence Certificates  |        |           |            | 0.02           | 0.02               |
| National Saving Certificates<br>(Matured but pending encashment)   |        |           |            | 0.06           | 0.06               |
|  |        |           |            | <u>0.10</u>    | <u>0.10</u>        |
| <b>EQUITY SHARES</b>   |        |           |            |                |                    |
| Birla Buildings Limited  | 30000  | (30000)   | 10         | 3.00           | 3.00               |
| Pithampur Auto Cluster Limited   | 50000  | (50000)   | 10         | 5.00           | 5.00               |
| Bengal Shriram Hitech City Private Limited   | 2000   | (2000)    | 10         | 0.20           | 0.20               |
| AVTEC Limited  | 10000  | (10000)   | 10         | 5.64           | 5.64               |
|  |        |           |            | <u>13.84</u>   | <u>13.84</u>       |
| <b>EQUITY SHARES IN SUBSIDIARY COMPANIES</b>   |        |           |            |                |                    |
| Hindustan Motor Finance Corporation Ltd.<br>(Ceased to be a subsidiary w.e.f. December 12, 2013 and became an associate, subsequently ceased to be an associate w.e.f. March 25, 2014) | -      | (500000)  | 5          | -              | 25.05              |
| <b>Common Stock</b>  |        |           |            |                |                    |
| Hindustan Motors Limited<br>(Incorporated in the State of Delaware, USA)   | 100000 | (100000)  | US \$4     | 163.09         | 163.09             |
| Less : Diminution in the value of Investment   |        |           |            | 163.09         | 163.09             |
|  |        |           |            | -              | -                  |
|  |        |           |            | -              | <u>25.05</u>       |
| <b>EQUITY SHARES IN ASSOCIATE COMPANY</b>  |        |           |            |                |                    |
| HM Export Limited<br>(ceased to be an associate w.e.f. December 12, 2013)  | -      | (1217000) | 10         | -              | 1805.77            |
|  |        |           |            | -              | -                  |
|  |        |           |            | <u>13.94</u>   | <u>1805.77</u>     |
|  |        |           |            | <u>13.94</u>   | <u>1844.76</u>     |

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

|  | ₹ in lacs               |                             |
|--|-------------------------|-----------------------------|
|  | As at<br>March 31, 2014 | As at<br>September 30, 2013 |
| <b>D. NON-CURRENT ASSETS</b>   |                         |                             |
| <b>NOTE 13 : LONG-TERM LOANS AND ADVANCES</b>  |                         |                             |
| <b>Unsecured considered good</b>   |                         |                             |
| Advance against Capital Contracts  | 5.00                    | 30.04                       |
| Advances Recoverable in cash or in kind or for value to be received or pending adjustments | 96.64                   | 127.27                      |
| Advance payment of Income Tax and Refunds Receivable (Net of provisions)                   | 63.37                   | 79.72                       |
| Deposits with Government Department and Others   | 77.84                   | 176.30                      |
| Sales tax, VAT and Other Refunds Receivable (Including amount paid under appeal)           | 347.26                  | 347.27                      |
| Prepaid Expenses   | -                       | 10.06                       |
|  | 590.11                  | 770.66                      |
| <b>Unsecured considered doubtful</b>   |                         |                             |
| Advance against Capital Contracts  | -                       | 10.67                       |
| Deposits with Government Department and Others   | 91.39                   | 89.04                       |
| Balances with Customs, Port Trust & Other Government Departments                           | -                       | 2.44                        |
| Sales tax, VAT and Other Refunds Receivable (Including amount paid under appeal)           | 55.09                   | 55.09                       |
|  | 146.48                  | 157.24                      |
| Less : Provision for Doubtful Loans and Advances   | 146.48                  | 157.24                      |
|  | -                       | -                           |
|  | 590.11                  | 770.66                      |
| <b>NOTE 14 : OTHER NON-CURRENT ASSETS</b>  |                         |                             |
| <b>Unsecured Considered good</b>   |                         |                             |
| Other Receivables *  | 2086.63                 | -                           |
| <b>Unsecured Considered Doubtful</b>   |                         |                             |
| Insurance & Other Claims   | 413.29                  | 414.53                      |
| Export Incentives Receivable   | 1.51                    | 8.80                        |
|  | 414.80                  | 423.33                      |
| Less : Provision for Doubtful Claims   | 414.80                  | 423.33                      |
|  | -                       | -                           |
|  | 2086.63                 | -                           |

\*Receivable from Hindustan Motor Finance Corporation Limited towards transfer of Chennai Car Plant pursuant to Business Transfer Agreement (Refer Note 47)



## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

₹ in lacs

As at  
March 31, 2014      *As at*  
*September 30, 2013*

**E. CURRENT ASSETS****NOTE 15 : INVENTORIES****At lower of cost and net realisable value**

|   |                |  |                |
|---|----------------|--|----------------|
| Stores and Spares   | 76.84          |  | 152.76         |
| Loose Tools   | 73.82          |  | 111.72         |
| Raw Materials and Components<br>[Including in transit ₹ 5.32 lacs (₹ 78.43 lacs)] | 579.69         |  | 3707.14        |
| Goods under process*  | 502.04         |  | 790.29         |
| Finished Goods*   | 158.07         |  | 2008.45        |
| Traded Goods [including in transit ₹ 0.35 lacs (₹ 154.56 lacs)]*                  | 127.16         |  | 1362.63        |
|   | <u>1517.62</u> |  | <u>8132.99</u> |

\* Refer Note 24 for break-up.

**NOTE 16 : TRADE RECEIVABLES****Debts outstanding for a period exceeding six months from the date they are due****Considered good**

|           |       |       |        |
|-----------|-------|-------|--------|
| Secured   | 27.04 |       | 40.39  |
| Unsecured | 42.74 | 69.78 | 104.20 |

**Considered doubtful - Unsecured**

|   |  |              |               |
|---|--|--------------|---------------|
|   |  | 18.59        | 301.83        |
|   |  | <u>88.37</u> | <u>446.42</u> |
| Less : Provision for Doubtful Trade Receivables |  | 18.59        | 301.83        |
|   |  | <u>69.78</u> | <u>144.59</u> |

**Other Debts****Considered good**

|           |  |                |                |
|-----------|--|----------------|----------------|
| Secured   |  | 16.21          | 290.57         |
| Unsecured |  | 1730.13        | 1633.23        |
|           |  | <u>1746.34</u> | <u>1923.80</u> |
|           |  | <u>1816.12</u> | <u>2068.39</u> |

**NOTE 17 : CASH AND BANK BALANCES****Cash and Cash Equivalents**Cash-on-hand 2.81 1.93**Balances with Banks**

|                         |       |              |               |
|-------------------------|-------|--------------|---------------|
| Current Account         | 73.80 |              | 698.56        |
| Unpaid Dividend Account | 1.93  |              | 1.95          |
| Remittances in transit  | -     | 75.73        | 0.01          |
|                         |       | <u>78.54</u> | <u>702.45</u> |

**Other Bank Balances**

|                       |  |              |               |
|-----------------------|--|--------------|---------------|
| Margin Money Deposits |  | 10.54        | 10.37         |
|                       |  | <u>89.08</u> | <u>712.82</u> |

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

₹ in lacs

As at  
March 31, 2014      As at  
September 30, 2013

### E. CURRENT ASSETS

#### NOTE 18 : SHORT-TERM LOANS AND ADVANCES

##### Unsecured considered good

|  |               |                |
|--|---------------|----------------|
| Advances Recoverable in cash or in kind or for value to be received or pending adjustments | 133.04        | 449.09         |
| Sales tax, VAT and Other refunds receivable  | 98.60         | 548.55         |
| Balances with Customs, Port Trust & Other Government Departments                           | 64.88         | 138.96         |
| Prepaid Expenses   | 38.62         | 121.97         |
|  | <u>335.14</u> | <u>1258.57</u> |

##### Unsecured considered doubtful

|  |               |               |
|--|---------------|---------------|
| Loan to Hindustan Motors Limited, USA, a subsidiary company                                | 107.65        | 107.65        |
| Advances recoverable in cash or in kind or for value to be received or pending adjustments | 53.59         | 91.33         |
|  | <u>161.24</u> | <u>198.98</u> |
| Less : Provision for Doubtful Loans and Advances   | 161.24        | 198.98        |
|  | <u>-</u>      | <u>-</u>      |

335.14      1258.57

#### NOTE 19 : OTHER CURRENT ASSETS

##### Unsecured considered good

|                              |                |             |
|------------------------------|----------------|-------------|
| Interest accrued on Deposits | 0.22           | 0.23        |
| Forward contracts receivable | -              | 5.21        |
| Other Receivables*           | 8541.20        | -           |
|                              | <u>8541.42</u> | <u>5.44</u> |

\* Includes ₹ 8252.27 lacs receivable from Hindustan Motor Finance Corporation Limited towards transfer of Chennai Car Plant pursuant to Business Transfer Agreement (Refer Note 47).

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

₹ in lacs

2013-2014  
(6 months)                      2012-2013  
(18 Months)

### A. INCOME

#### NOTE 20 : REVENUE FROM OPERATIONS

|                                     |          |                 |          |                 |
|-------------------------------------|----------|-----------------|----------|-----------------|
| Sale of Products (Including traded) |          |                 |          |                 |
| Vehicles                            | 17899.77 |                 | 77141.59 |                 |
| Spare Parts of Vehicles             | 3882.97  |                 | 8746.31  |                 |
| Steel Products and Components       | 46.93    | 21829.67        | 1253.62  | 87141.52        |
| Job Work Income                     |          | 414.06          |          | 253.38          |
| Other Operating Revenues            |          | 337.64          |          | 682.79          |
|                                     |          | <u>22581.37</u> |          | <u>88077.69</u> |

#### Notes:

- Sales includes excise duty, delivery charges and is after adjusting incentives/ discounts.
- Sales is net off sales return during the current period against sales made in earlier years ₹ 110.49 lacs (₹ 188.51 lacs).
- Traded goods (Vehicles and Spare parts) have been included above.

#### NOTE 21 : OTHER INCOME

|  |  |               |  |                |
|--|--|---------------|--|----------------|
| Interest on Debts, Deposits, Advances etc.                         |  | 15.55         |  | 210.97         |
| Dividend Income on Non Current Investments (Other than Trade)      |  | -             |  | 61.90          |
| Unspent Liabilities and Provisions no longer required written back |  | 273.91        |  | 666.75         |
| Gain on Exchange Rate Difference (Net)                             |  | 281.51        |  | -              |
| Other Non-Operating income   |  | 48.08         |  | 233.67         |
|  |  | <u>619.05</u> |  | <u>1173.29</u> |

### B. EXPENSES

#### NOTE 22 : COST OF RAW MATERIALS AND COMPONENTS CONSUMED

|   |        |                 |         |                 |
|---|--------|-----------------|---------|-----------------|
| Opening Stock   |        | 3707.14         |         | 3302.26         |
| Add: Purchases  |        | 8388.07         |         | 42994.41        |
|   |        | 12095.21        |         | 46296.67        |
| Less: Transferred to Other Expenses                                       | 3.50   |                 | 23.69   |                 |
| Sales   | 0.25   |                 | 0.31    |                 |
| Stock transferred pursuant to Business Transfer Agreement (Refer Note 47) | 259.63 |                 | -       |                 |
| Closing Stock   | 579.69 | 843.07          | 3707.14 | 3731.14         |
|   |        | <u>11252.14</u> |         | <u>42565.53</u> |

Note : Consumption of Raw Materials and Components includes profit / loss on sale thereof.

#### DETAILS OF RAW MATERIALS AND COMPONENTS CONSUMED

|  |  |                 |  |                 |
|--|--|-----------------|--|-----------------|
| Steel Sheets, Plates and Flat Steel  |  | 210.26          |  | 1297.57         |
| Bar, Billets, Channels and Angles  |  | 60.22           |  | 1083.81         |
| Tyres and Tubes  |  | 277.13          |  | 1151.82         |
| Power Units  |  | 1767.42         |  | 7475.66         |
| Other Components and Production Stores (including processing charges) (each being less than 10% of total value of consumption) |  | 8937.11         |  | 31556.67        |
|  |  | <u>11252.14</u> |  | <u>42565.53</u> |

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

₹ in lacs

2013-2014  
(6 months)                      2012-2013  
(18 Months)

**B. EXPENSES****NOTE 23 : PURCHASE OF TRADED GOODS**

|                         |                |  |  |                 |
|-------------------------|----------------|--|--|-----------------|
| Vehicles                | -              |  |  | 12698.49        |
| Spare Parts of Vehicles | 2464.84        |  |  | 5144.51         |
|                         | <u>2464.84</u> |  |  | <u>17843.00</u> |

**NOTE 24 : DECREASE / (INCREASE) IN STOCKS****Closing Stock**

|                               |        |               |         |                |
|-------------------------------|--------|---------------|---------|----------------|
| Goods under Process           |        |               |         |                |
| Vehicles                      | 374.56 |               | 590.50  |                |
| Steel Products and Components | 127.48 | 502.04        | 199.79  | 790.29         |
| Finished Goods                |        |               |         |                |
| Vehicles                      | 130.18 |               | 1965.16 |                |
| Spare Parts of Vehicles       | 27.89  |               | 42.59   |                |
| Steel Products and Components | -      | 158.07        | 0.70    | 2008.45        |
| Traded Goods                  |        |               |         |                |
| Spare Parts of Vehicles       |        | 127.16        |         | 1362.63        |
|                               |        | <u>787.27</u> |         | <u>4161.37</u> |

**Opening Stock**

|                               |         |                |         |                |
|-------------------------------|---------|----------------|---------|----------------|
| Goods under Process           |         |                |         |                |
| Vehicles                      | 590.50  |                | 547.54  |                |
| Steel Products and Components | 199.79  | 790.29         | 131.89  | 679.43         |
| Finished Goods                |         |                |         |                |
| Vehicles                      | 1965.16 |                | 445.64  |                |
| Spare Parts of Vehicles       | 42.59   |                | 41.09   |                |
| Steel Products and Components | 0.70    | 2008.45        | 22.53   | 509.26         |
| Traded Goods                  |         |                |         |                |
| Vehicles                      | -       |                | 177.72  |                |
| Spare Parts of Vehicles       | 1362.63 | 1362.63        | 1282.72 | 1460.44        |
|                               |         | <u>4161.37</u> |         | <u>2649.13</u> |

Less: Inventories transferred pursuant to Business Transfer Agreement (Refer Note 47)

|  |         |                |   |                  |
|--|---------|----------------|---|------------------|
| Finished Goods - Vehicles              | 1138.94 |                | - |                  |
| Traded Goods - Spare Parts of Vehicles | 974.02  | 2112.96        | - | -                |
|  |         | <u>2048.41</u> |   | <u>2649.13</u>   |
|  |         | <u>1261.14</u> |   | <u>(1512.24)</u> |
| Transferred to tangible fixed assets   |         | 41.55          |   | 63.67            |
|  |         | <u>1219.59</u> |   | <u>(1575.91)</u> |

**NOTE 25 : EMPLOYEE BENEFITS EXPENSE**

|   |                |  |  |                 |
|---|----------------|--|--|-----------------|
| Salaries, Wages and Bonus                         | 3691.40        |  |  | 11576.30        |
| Contribution to Provident, Gratuity & Other Funds | 496.88         |  |  | 1380.64         |
| Welfare Expenses                                  | 181.73         |  |  | 658.04          |
|   | <u>4370.01</u> |  |  | <u>13614.98</u> |

**NOTE 26 : FINANCE COSTS**

|                                   |                |  |  |                |
|-----------------------------------|----------------|--|--|----------------|
| Interest Expense ( Refer Note 45) | 5551.22        |  |  | 2677.37        |
| Bank charges and Others           | 93.47          |  |  | 411.53         |
|                                   | <u>5644.69</u> |  |  | <u>3088.90</u> |

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

₹ in lacs

|  | 2013-2014<br>(6 months) | 2012-2013<br>(18 Months) |
|--|-------------------------|--------------------------|
| <b>B. EXPENSES</b>   |                         |                          |
| <b>NOTE 27 : DEPRECIATION AND AMORTISATION EXPENSE</b>   |                         |                          |
| On Tangible Assets   | 583.49                  | 1745.16                  |
| On Intangible Assets   | 261.00                  | 452.11                   |
|  | <u>844.49</u>           | <u>2197.27</u>           |
| Less: Transfer from Revaluation Reserve being Depreciation on revaluation amount of Fixed Assets | 0.04                    | 0.11                     |
|  | <u><u>844.45</u></u>    | <u><u>2197.16</u></u>    |
| <b>NOTE 28 : OTHER EXPENSES</b>  |                         |                          |
| Consumption of Stores and Spares   | 290.44                  | 1262.69                  |
| Increase / (Decrease) in Excise duty on Stocks   | (82.52)                 | 415.94                   |
| Fuel and Electricity (Net)   | 652.50                  | 2620.43                  |
| Job work charges   | 367.75                  | -                        |
| Rent and Hire charges  | 48.58                   | 292.57                   |
| Building Repairs   | 12.35                   | 58.79                    |
| Machinery Repairs  | 46.55                   | 278.81                   |
| Insurance  | 23.74                   | 93.49                    |
| Rates and Taxes  | 112.07                  | 261.05                   |
| Royalty  | 31.23                   | 90.13                    |
| Advertising , Selling expenses and Claims (Net)  | 599.68                  | 1062.12                  |
| Delivery Charges, Freight & Transportation   | 28.04                   | 144.81                   |
| Auditors' Remuneration:  |                         |                          |
| As auditor   |                         |                          |
| Audit fee  | 25.00                   | 25.00                    |
| Limited review fee   | 5.00                    | 25.00                    |
| Certification and other services fee   | 10.06                   | 16.36                    |
| Out of pocket expenses   | 2.52                    | 5.47                     |
| In Other capacity  |                         |                          |
| Audit of Tax accounts  | -                       | 7.50                     |
| Tax audit fee  | -                       | 15.00                    |
| Certification and other services fee   | 0.25                    | 2.98                     |
| Exchange Rate Difference (Net)   | -                       | 1671.34                  |
| Directors' Travelling  | 14.36                   | 28.22                    |
| Cost Auditors' Remuneration  | 2.50                    | 4.50                     |
| Legal and Professional Service charges   | 384.40                  | 780.73                   |
| Miscellaneous Expenses   | 546.34                  | 2216.67                  |
| Provision for Doubtful Debts, Claims and Advances  | 38.21                   | 86.86                    |
| Less: Written back   | <u>7.03</u>             | <u>16.39</u>             |
| Irrecoverable Debts, Claims and Advances written off   | 606.78                  | 183.74                   |
| Less: Adjusted against provision   | <u>359.44</u>           | <u>168.12</u>            |
| Net Loss on Fixed Assets sold / discarded  | 47.52                   | 110.20                   |
|  | <u><u>3446.88</u></u>   | <u><u>11728.39</u></u>   |
| <b>NOTE 29 : EXCEPTIONAL ITEMS</b>   |                         |                          |
| Surplus on Sale of Non Current Investments (Other than Trade)                                    | 1364.32                 | 8001.22                  |
| Surplus on sale of Chennai Car Plant pursuant to Business Transfer Agreement (Refer Note 47)     | 8910.28                 | -                        |
|  | <u><u>10274.60</u></u>  | <u><u>8001.22</u></u>    |

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

|   | ₹ in lacs               |                             |
|---|-------------------------|-----------------------------|
|   | As at<br>March 31, 2014 | As at<br>September 30, 2013 |
| 30. Estimated amount of contracts remaining to be executed on capital account and other Commitments and not provided for (Net of advances.) | 0.62                    | 215.21                      |
| 31. Contingent Liabilities not provided for in respect of :   |                         |                             |
| (a) Claims & Government demands against the Company not acknowledged as debts.  |                         |                             |
| i) Excise Duty  | 3091.51                 | 3062.13                     |
| ii) Sales Tax   | 7211.85                 | 3843.80                     |
| iii) Customs Duty   | 373.50                  | 373.50                      |
| iv) Service Tax   | 911.83                  | 911.83                      |
| v) Others   | 737.88                  | 738.59                      |

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 ₹ 384.28 lacs (₹ 454.32 lacs).

Included in the above are contingent liabilities to the extent of ₹ 1187.20 lacs (₹ 1187.20 lacs) relating to the pre-transfer period of the erstwhile Power Unit Plant and Power Products Division of the Company, which were transferred to AVTEC Limited in June 2005, ₹ 514.74 lacs (₹ 514.74 lacs) relating to the pre-transfer period of the erstwhile Earthmoving Equipment Division of the Company, which was transferred to Caterpillar India Private Limited in February 2001 and ₹1526.78 lacs (₹1523.90 lacs) relating to the pre-transfer period of the erstwhile Chennai Car Plant of the Company, which has been transferred to Hindustan Motor Finance Corporation Limited in March 2014 (Refer note 47). However, demands to the extent of ₹ 667.29 lacs (₹ 667.29 lacs) in case of erstwhile Power Unit Plant are covered by counter guarantees by the customers.

|  |          |        |
|--|----------|--------|
| (b) Outstanding Bank Guarantees for import of materials and other accounts | 527.42 * | 527.42 |
|--|----------|--------|

\* Includes ₹ 110.00 lacs given by the Company to the Customs Department relating to Chennai Car Plant, transferred pursuant to Business Transfer Agreement (Refer Note 47).

- (c) Bonus for the years 1963-64 to 1967-68 at Uttarpara unit is under adjudication (amount indeterminate). The Company contends that no liability exists in this regard under the Payment of Bonus Act, 1965.
- (d) Demands for incremental Dearness Allowance during the years 2001 to 2007 at Uttarpara Unit are under adjudication (amount not ascertained). However, majority of the employees unions have filed joint petition for withdrawal of the case.
- (e) The Government of West Bengal (GoWB) has alleged that the Company has realized an excess sum of ₹ 19447 lacs from the sale of 314 acres of land at Hindmotor, West Bengal in earlier years and it should refund the said amount along with interest thereon. The Company has been legally advised that there is no liability on the Company to make any payment against the alleged demand. Accordingly, the Company has denied and disputed the allegations. Since the contentions of GoWB are being contested by the Company, no provision is considered necessary by the management against the said claim.

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

### 32. Earnings per Share (EPS)

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

₹ in lacs

|   | 2013-14<br>(6 Months) | 2012-13<br>(18 Months) |
|---|-----------------------|------------------------|
| Profit/(Loss) after tax as per statement of profit & loss           | (307.41)              | (7120.35)              |
| Weighted average No. of Equity Shares outstanding during the period | 184771993             | 183070898              |
| Weighted number of potential Equity Shares                          | 184771993             | 184771993              |
| Nominal value of Shares (₹)   | 5                     | 5                      |
| Basic EPS (₹)   | (0.17)                | (3.89)                 |
| Diluted EPS (₹)   | (0.17)                | (3.89)                 |

### 33. Movement in Provisions for Warranties is as follows:

₹ in lacs

| As at<br>October 01, 2013 | Additions | Amount<br>utilised | Amount<br>written back | Less : transferred<br>pursuant to Business<br>Transfer Agreement<br>(Refer Note 47) | As at<br>March 31, 2014 |
|---------------------------|-----------|--------------------|------------------------|---|-------------------------|
| 209.04                    | 54.99     | 69.09              | 22.35                  | 128.85  | 43.74                   |
| (170.15)                  | (222.29)  | (121.88)           | (61.52)                | (-)   | (209.04)                |

### 34. Derivative instruments, which are not intended for trading or speculation but hedge for underlying transactions and forward exchange contract outstanding as at period end are as follows :

- JPY / USD of JPY 300.00 lacs (JPY / USD of JPY 430.00 lacs).
- USD / INR of USD 2.91 lacs (USD / INR of USD 6.55 lacs).

The above forward contracts have been taken to cover the exchange risk on import payment liabilities of the Company.

The Company has the following un-hedged exposures in foreign currencies as at the period end:

₹ in lacs

| Sr. No. | Particulars   | As at<br>March 31, 2014 | As at<br>September 30, 2013 |
|---------|---|-------------------------|-----------------------------|
| (i)     | Trade Payable for Purchases of Goods / Fixed Assets | 1558.07                 | 2311.89                     |
| (ii)    | Short Term - Advance against supplies/others        | -                       | 224.79                      |
| (iii)   | Short Term borrowings - Buyers Credit               | 919.57                  | 2612.54                     |
| (iv)    | Trade Receivables                                   | 10.10                   | -                           |
| (v)     | Advance against order                               | 4.48                    | -                           |
| (vi)    | Other Payables                                      | -                       | 14.93                       |



## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

35. 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 :

|   | ₹ in lacs                           |                                      |
|---|-------------------------------------|--------------------------------------|
|   | <b>2013-14</b><br><b>(6 Months)</b> | <b>2012-13</b><br><b>(18 Months)</b> |
| (i) Principal amount remaining unpaid to any supplier at the end of accounting period   | 327.31                              | 518.22                               |
| (ii) Interest due on above  | 20.02                               | 26.05                                |
| <b>Total of (i) &amp; (ii)</b>  | <b>347.33</b>                       | <b>544.27</b>                        |
| (iii) Amount of interest paid/ adjusted by the Company to the suppliers   | 31.30                               | 213.14                               |
| (iv) Amounts paid to the suppliers beyond the respective due date   | 473.19                              | 1639.80                              |
| (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 period  | 448.76                              | 409.85                               |
| (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. | -                                   | -                                    |

36. Details of Research Costs :

| Particulars                                      | ₹ in lacs             |                        |                       |                        |
|--|-----------------------|------------------------|-----------------------|------------------------|
|  | Capital Expenditure   |                        | Revenue Expenditure   |                        |
|  | 2013-14<br>(6 Months) | 2012-13<br>(18 Months) | 2013-14<br>(6 Months) | 2012-13<br>(18 Months) |
| Uttarpara Unit (UTP)                             | 0.94                  | 37.28                  | 91.32                 | 371.19                 |
| Chennai Car Plant (CCP)<br>(upto March 29, 2014) | -                     | -                      | 11.28                 | 46.99                  |
| Pithampur Plant (PTP)                            | -                     | -                      | -                     | 3.07                   |
|  | <b>0.94</b>           | <b>37.28</b>           | <b>102.60</b>         | <b>421.25</b>          |

37. Disclosure for the period ended March 31, 2014 under Accounting Standard-15 (Revised) on 'Employee Benefits'

|                                     | ₹ in Lacs                           |                                      |
|-------------------------------------|-------------------------------------|--------------------------------------|
|                                     | <b>2013-14</b><br><b>(6 Months)</b> | <b>2012-13</b><br><b>(18 Months)</b> |
| <b>A. Defined Contribution Plan</b> |                                     |                                      |
| Contribution to Provident Fund      | 274.44                              | 828.79                               |
| Contribution to Superannuation Fund | 11.00                               | 44.88                                |
| <b>B. Defined Benefit Plan</b>      |                                     |                                      |

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 Statement of Profit & Loss and the funded status and amount recognised in the Balance Sheet for the respective plan.

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

|             |   | ₹ in lacs   |                |                |                |                |
|-------------|---|---|----------------|----------------|----------------|----------------|
| <u>Sl.</u>  | <u>Particulars</u>  | <u>2013-14</u>  | <u>2012-13</u> |                |                |                |
|             | <u>Gratuity</u>   |   |                |                |                |                |
| <b>I</b>    | <b>Net Employee Expense / ( Benefit )</b>   |   |                |                |                |                |
| 1           | Current Service Cost  | 68.69   | 212.19         |                |                |                |
| 2           | Interest cost on benefit obligation   | 113.80  | 276.10         |                |                |                |
| 3           | Expected Return on plan assets  | (88.80)   | (244.05)       |                |                |                |
| 4           | Net Actuarial (gain)/loss recognised in the period  | 72.60   | 187.14         |                |                |                |
| 5           | Total employee expenses recognised in Statement of Profit & Loss                                  | 166.29  | 431.38         |                |                |                |
| <b>II</b>   | <b>Actual Return on Plan Assets</b>   | 74.70   | 244.05         |                |                |                |
| <b>III</b>  | <b>Benefit Asset/(Liability)</b>  |   |                |                |                |                |
| 1           | Defined benefit obligation  | 2636.64   | 2761.90        |                |                |                |
| 2           | Fair Value of Plan Assets   | 1757.84   | 2040.57        |                |                |                |
| 3           | Benefit Asset/(Liability)   | (878.80)  | (721.33)       |                |                |                |
| <b>IV</b>   | <b>Movement in Benefit Liability</b>  |   |                |                |                |                |
| 1           | Opening defined benefit obligation  | 2761.90   | 2275.24        |                |                |                |
| 2           | Interest cost   | 113.80  | 276.10         |                |                |                |
| 3           | Current Service Cost  | 68.69   | 212.19         |                |                |                |
| 4           | Benefits paid   | (234.09)  | (219.49)       |                |                |                |
| 5           | Actuarial (gains) / losses on obligation  | 58.50   | 217.86         |                |                |                |
| 6           | Transferred pursuant to Business Transfer Agreement (Refer Note 47)                               | (132.16)  | -              |                |                |                |
| 7           | Closing benefit obligation  | 2636.64   | 2761.90        |                |                |                |
| <b>V</b>    | <b>Movement in Fair Value of Plan Assets</b>  |   |                |                |                |                |
| 1           | Opening fair value of plan assets   | 2040.57   | 1914.10        |                |                |                |
| 2           | Expected Return on plan assets  | 88.80   | 244.05         |                |                |                |
| 3           | Contribution by employer  | 2.22  | 71.19          |                |                |                |
| 4           | Benefits paid   | (234.09)  | (219.49)       |                |                |                |
| 5           | Actuarial gains / (losses) on plan assets   | (14.10)   | 30.72          |                |                |                |
| 6           | Transferred pursuant to Business Transfer Agreement (Refer Note 47)                               | (125.56)  | -              |                |                |                |
| 7           | Closing fair value of plan assets   | 1757.84   | 2040.57        |                |                |                |
| <b>VI</b>   | <b>The Principal actuarial assumptions are as follows</b>   |   |                |                |                |                |
| 1           | Discount Rate   | 8.75%   | 8.50%          |                |                |                |
| 2           | Salary increase   | 4.00%   | 4.00%          |                |                |                |
| 3           | Withdrawal Rate   | Varying between 1% & 2% per annum depending upon duration and age of the employees. |                |                |                |                |
| 4           | Expected rate of return on Plan assets  | 8.85%   | 8.50%          |                |                |                |
| <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>                                 |   |                |                |                |                |
|             |   | <b>2013-14</b>  | <b>2012-13</b> | <b>2011-12</b> | <b>2010-11</b> | <b>2009-10</b> |
| 1           | Defined benefit obligation  | 2636.64   | 2761.90        | 2275.24        | 2116.77        | 1795.72        |
| 2           | Plan Assets   | 1757.84   | 2040.57        | 1914.10        | 1792.06        | 1698.07        |
| 3           | Surplus / (Deficit)   | (878.80)  | (721.33)       | (361.14)       | (324.71)       | (97.65)        |

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

### Note :

- The estimates of future salary increase considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- The Company expects to contribute ₹ 74.70 lacs (₹ 90.00 lacs) to Gratuity fund for 2014-15.
- Experience adjustment on plan assets & liabilities has been considered in the valuation report as certified by the actuary, which is not readily available and hence not disclosed separately.
- All the employees of Chennai Car Plant were transferred to HMFCL on the date of working arrangement effective from February 12, 2014 as referred in Note 47 below.

### 38. Related Party Disclosures :

#### (a) Name of the related parties :

|                          |   |
|--------------------------|---|
| Subsidiary Companies     | Hindustan Motors Limited, U.S.A. (HML,USA)<br>Hindustan Motor Finance Corporation Limited (HMFCL) (Ceased to be subsidiary w.e.f. December 12, 2013)  |
| Associate Companies      | Hindustan Motor Finance Corporation Limited (Became associate w.e.f. December 12, 2013 and ceased to be associate w.e.f. March 25, 2014)<br>HM Export Limited (HME) (Ceased to be associate w.e.f. December 12, 2013) |
| Key Management Personnel | Mr. Uttam Bose, Managing Director (up to May 9, 2014)   |

- Aggregated Related Party Disclosures as at and for the period ended March 31, 2014 are as follows. (Transactions have taken place on arm's length basis).

₹ in lacs

| Nature of Transactions                          | Subsidiary Companies |              |              | Associate Companies |                |                 | Key Managerial Personnel | Total               |
|---|----------------------|--------------|--------------|---------------------|----------------|-----------------|--------------------------|---------------------|
|   | HML (USA)            | HMFC         | HME #        | AVTEC               | HMFC #         | HME             |                          |                     |
| Sale of Products                                | -<br>(-)             | -<br>(4.86)  | -<br>(-)     | -<br>(493.60)       | 1120.10<br>(-) | -<br>(-)        | -<br>(-)                 | 1120.10<br>(498.46) |
| Purchases                                       | -<br>(-)             | -<br>(-)     | -<br>(-)     | -<br>(2743.52)      | -<br>(-)       | -<br>(-)        | -<br>(-)                 | -<br>(2743.52)      |
| Job Work Expenses                               | -<br>(-)             | -<br>(-)     | -<br>(-)     | -<br>(-)            | 326.34<br>(-)  | -<br>(-)        | -<br>(-)                 | 326.34<br>(-)       |
| Facility Income                                 | -<br>(-)             | -<br>(-)     | -<br>(-)     | -<br>(-)            | 124.17<br>(-)  | -<br>(-)        | -<br>(-)                 | 124.17<br>(-)       |
| Professional & Consultancy Expenses             | -<br>(-)             | -<br>(-)     | -<br>(-)     | -<br>(-)            | 61.58<br>(-)   | -<br>(-)        | -<br>(-)                 | 61.58<br>(-)        |
| Rent & Hire Charges Paid                        | -<br>(-)             | -<br>(-)     | -<br>(-)     | -<br>(12.19)        | -<br>(-)       | -<br>(-)        | -<br>(-)                 | -<br>(12.19)        |
| Advertisement, Selling Expenses & Claims        | -<br>(-)             | -<br>(-)     | -<br>(-)     | -<br>(-14.97)       | -<br>(-)       | -<br>(-)        | -<br>(-)                 | -<br>(-14.97)       |
| Miscellaneous Expenses                          | -<br>(-)             | -<br>(-)     | -<br>(-)     | -<br>(19.10)        | -<br>(-)       | -<br>(-)        | -<br>(-)                 | -<br>(19.10)        |
| Reimbursement of Expenses                       | -<br>(-)             | -<br>(-)     | -<br>(-)     | -<br>(-)            | 78.71<br>(-)   | -<br>(-)        | -<br>(-)                 | 78.71<br>(-)        |
| Salaries, Allowances, Provident Fund and Others | -<br>(-)             | -<br>(-)     | -<br>(-)     | -<br>(-)            | -<br>(-)       | -<br>(-)        | 92.19<br>(292.04)        | 92.19<br>(292.04)   |
| Finance Cost                                    | -<br>(-)             | -<br>(34.43) | -<br>(67.78) | -<br>(7.41)         | 15.52<br>(-)   | 11.17<br>(0.78) | -<br>(-)                 | 26.69<br>(110.40)   |

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

| Nature of Transactions                        | Subsidiary Companies |                     |          | Associate Companies |             |                | Key Managerial Personnel | Total               |
|---|----------------------|---------------------|----------|---------------------|-------------|----------------|--------------------------|---------------------|
|   | HML (USA)            | HMFC                | HME #    | AVTEC               | HMFC ##     | HME            |                          |                     |
| Other Non Operating Income (Rent)             | -<br>(-)             | 1.33<br>(10.14)     | -<br>(-) | -<br>(-)            | 1.90<br>(-) | -<br>(-)       | -<br>(-)                 | 3.24<br>(10.14)     |
| Dividend Income on Non-Current Investment     | -<br>(-)             | -<br>(-)            | -<br>(-) | -<br>(59.30)        | -<br>(-)    | -<br>(-)       | -<br>(-)                 | -<br>(59.30)        |
| Sale of Non-Current Investments               | -<br>(-)             | 2945.14<br>(209.35) | -<br>(-) | -<br>(-)            | -<br>(-)    | -<br>(-)       | -<br>(-)                 | 2945.14<br>(209.35) |
| <b>Balance Outstanding at Period end</b>      |                      |                     |          |                     |             |                |                          |                     |
| Short term Unsecured Borrowings               | -<br>(-)             | -<br>(-)            | -<br>(-) | -<br>(-)            | -<br>(-)    | -<br>(515.00)  | -<br>(-)                 | -<br>(515.00)       |
| Trade Receivable, Short Term Loans & Advances | 4.92<br>(5.14)       | -<br>(0.34)         | -<br>(-) | -<br>(-)            | -<br>(-)    | -<br>(-)       | -<br>(-)                 | 4.92<br>(5.48)      |
| Trade Payables                                | 8.38<br>(8.75)       | -<br>(-)            | -<br>(-) | -<br>(-)            | -<br>(-)    | -<br>(-)       | -<br>(-)                 | 8.38<br>(8.75)      |
| Non-Current Investment                        | -<br>(-)             | -<br>(25.05)        | -<br>(-) | -<br>(-)            | -<br>(-)    | -<br>(1805.77) | -<br>(-)                 | -<br>(1830.82)      |

# Ceased to be subsidiary in last year.

# # Also refer Note 47 relating to sale of Chennai Car Plant to HMFCCL pursuant to Business Transfer Agreement.

39. As the Company's business activity falls within a single primary business segment viz, "Automobiles" and there is no reportable secondary segment i.e. geographical segment, the disclosure requirement of Accounting Standard-17 "Segment Reporting" as notified by Companies (Accounting Standards) Rules, 2006 (as amended) is not applicable.

₹ in lacs

|  | <u>2013-14</u><br><u>(6 Months)</u> | <u>2012-13</u><br><u>(18 Months)</u> |
|--|-------------------------------------|--------------------------------------|
| 40. (a) The following items are included under other heads in the Statement of Profit and Loss.  |                                     |                                      |
| Raw Materials and Components   | 3.50                                | 23.69                                |
| Stores & Spares  | 24.67                               | 97.21                                |
| (b) Salaries and Wages as well as Stores consumption relating to repairs have not been segregated but are charged to the relevant account heads. |                                     |                                      |
| 41. C.I.F. Value of Imports  |                                     |                                      |
| (i) Components and Spare Parts   | 6122.43                             | 24708.94                             |
| (ii) Capital Goods   | 13.04                               | 1376.46                              |
| (iii) Traded Goods - Vehicles  | -                                   | 6039.48                              |
| 42. Expenditure in Foreign Currency  |                                     |                                      |
| (i) Royalties, Technical Know-how Fees, Professional and Consultation fees   | 31.23                               | 90.13                                |
| (ii) Interest  | 14.74                               | 69.97                                |
| (iii) Other Matters  | 8.74                                | 43.74                                |

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

|  |       |       |
|--|-------|-------|
| 43. Earnings in Foreign Exchange             |       |       |
| (i) Export of goods on F.O.B. basis          | 32.78 | 40.71 |
| (ii) Incentive and subsidy for advertisement | –     | 82.35 |
| (iii) Warranty claims                        | 7.57  | 30.37 |

44. Value of Raw Materials and Components, Stores and Spares consumed during the period (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     |            |                        |            |
|---------------------------------------|------------------------------|------------|------------------------|------------|-----------------------|------------|------------------------|------------|
|                                       | 2013-14<br>(6 Months)        |            | 2012-13<br>(18 Months) |            | 2013-14<br>(6 Months) |            | 2012-13<br>(18 Months) |            |
|                                       | ₹ in lacs                    | %          | ₹ in lacs              | %          | ₹ in lacs             | %          | ₹ in lacs              | %          |
| Indigenous                            | 4335.53                      | 39         | 18087.48               | 42         | 311.20                | 99         | 1355.25                | 100        |
| Imported                              |                              |            |                        |            |                       |            |                        |            |
| a) CIF Value                          | 5818.18                      | 51         | 21705.94               | 51         | 3.31                  | 1          | 3.94                   | 0          |
| b) Duty, Port charges, Transport etc. | 1101.93                      | 10         | 2795.80                | 7          | 0.60                  | 0          | 0.71                   | 0          |
|                                       | 6920.11                      | 61         | 24501.74               | 58         | 3.91                  | 1          | 4.65                   | 0          |
|                                       | <b>11255.64</b>              | <b>100</b> | <b>42589.22</b>        | <b>100</b> | <b>315.11</b>         | <b>100</b> | <b>1359.90</b>         | <b>100</b> |

45. Corporate Debt Restructuring Empowered Group (CDR EG) in their meeting held on 28th June, 2014 have quantified the claim of recompense of interest at ₹ 6766 lacs in view of proposed exit of the Company from CDR. The Company has provided an amount of ₹ 4948 lacs in the current period towards additional liability after considering past payments in earlier years, which will be paid to the lenders as under :

- Payment of ₹ 640 lacs.
- Issuance of Non-convertible Debentures (NCDs) /Bonds of ₹ 2053 lacs carrying simple interest of 10.25% per annum redeemable in 3 years in 3 equal instalments along with interest.
- Issuance of Equity Shares aggregating ₹ 2255 lacs. The equity shares shall carry face value of ₹ 5 each per share. The allotment price of equity shares to be determined in accordance with the SEBI Guidelines.

46. The operating results have been adversely affected due to adverse market conditions and the accumulated losses of the Company as at March 31, 2014 stand at ₹ 15199.83 lacs as against the share capital of ₹ 9247.08 lacs. Also, the current liabilities as at March 31, 2014 exceed current assets by ₹ 8771.08 lacs. The Company has made reference to the Board for Industrial and Financial Reconstruction (BIFR) under Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985, which has been registered by BIFR. The Company has sold its Chennai Plant on March 30, 2014 (refer Note 47 below) and has also declared suspension of work at its Uttarpara Plant with effect from May 24, 2014 due to low productivity, growing indiscipline, shortage of funds and lack of demand of products. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern, which is dependent on the Company establishing profitable operations and sustainable cash flows.

The Management is in the process of restructuring the operations and have hired a consultant to give an external perspective on the challenges and possible solutions at the Uttarpara Plant. The Management is confident that these measures are expected to result in sustainable cash flows and accordingly, the Company continues to prepare its accounts on a "Going Concern" basis.

47. The Board of Directors at their meeting held on December 26, 2013 approved withdrawal of the scheme of arrangement for demerger of the Chennai Car Plant (CCP) and decided to divest CCP as a going concern. Pending necessary approvals and consents for divestment, a working arrangement was entered into with

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

Hindustan Motor Finance Corporation Limited (HMFCL) dated January 05, 2014, as amended, to run the operations of CCP by HMFCL with a right to HMFCL to purchase CCP as going concern at a price to be determined by the valuer appointed jointly by HMFCL and the Company. The working arrangement was made effective from February 12, 2014 after obtaining necessary approvals for this arrangement. Subsequently, HMFCL exercised the right of purchase and entered into a Business Transfer Agreement (BTA) dated February 14, 2014 with the Company to purchase CCP as a going concern.

Pursuant to the said BTA, as amended, the possession of all Immovable & Movable assets and net current assets relating to CCP, excluding certain liabilities as specified in the BTA, has been handed over to HMFCL on March 30, 2014 as a going concern at a total consideration of ₹ 15453.81 lacs and the resulting gain of ₹ 8910.28 lacs arising thereon has been reflected in the accounts as 'exceptional gain'. The outstanding receivable from HMFCL of ₹ 10338.90 lacs as at the balance sheet date after adjusting the payments already received and liabilities of ₹ 2864.91 lacs taken over by HMFCL, has been disclosed under "Other Current and Non- Current Assets " based on mutually agreed instalments receivable within a period of 2 years.

The Company has applied to Government of Tamil Nadu for approval of transfer of the land at Tiruvallur District to HMFCL. The Company has received a letter dated July 15, 2014 issued by the Revenue Divisional Officer (RDO), Tiruvallur wherein RDO has recommended to the District Revenue Officer, Tiruvallur the transfer of land in favour of HMFCL with the condition that the conditions specified originally in the assignment deed be adhered.

48. The following Statement shows the Revenue and Expenses of Discontinued operations i.e. Chennai Car Plant of the Company which has been transferred during the period to Hindustan Motor Finance Corporation Limited pursuant to Business Transfer Agreement (Refer Note 47)

₹ in lacs

| Particulars                                   | October 1, 2013 to<br>March 29, 2014 | April 1, 2012 to<br>September 30, 2013 |
|---|--------------------------------------|--|
| <b>A INCOME</b>                               |                                      |  |
| Revenue from Operations (Gross)               | 16458.20                             | 62857.93                               |
| Less : Excise duty                            | 3206.00                              | 11090.09                               |
| Revenue from Operations (Net)                 | 13252.20                             | 51767.84                               |
| Other Income                                  | 327.51                               | 442.19                                 |
|   | <b>13579.71</b>                      | <b>52210.03</b>                        |
| <b>B EXPENSES</b>                             |                                      |  |
| Cost of Raw materials and components consumed | 8379.73                              | 27811.00                               |
| Purchase of Traded Goods                      | 1958.48                              | 15417.08                               |
| Decrease / (Increase) in Stocks               | (165.65)                             | (552.47)                               |
| Employee Benefits Expense                     | 757.39                               | 3344.84                                |
| Finance Costs                                 | 201.74                               | 944.60                                 |
| Depreciation and Amortisation Expense         | 591.27                               | 1608.32                                |
| Other Expenses                                | 2059.54                              | 5970.29                                |
|   | <b>13782.50</b>                      | <b>54543.66</b>                        |
| Profit/(Loss) before Tax                      | (202.79)                             | (2333.63)                              |
| Tax Expense                                   | -                                    | (542.44)                               |
| <b>Profit/(Loss) after Tax</b>                | <b>(202.79)</b>                      | <b>(1791.19)</b>                       |

## Notes to financial statements for 6 month period from October 1, 2013 to March 31, 2014 (Contd.)

The carrying amounts of the total assets and liabilities of Chennai Car Plant are as given below:

₹ in lacs

|   | As at<br>March 29, 2014 | As at<br>September 30, 2013 |
|---|-------------------------|-----------------------------|
| Total assets (Excluding revaluation reserve)      | 11440.37                | 15226.24                    |
| Total liabilities (Excluding revaluation reserve) | 4896.84                 | 11018.82                    |
| <b>Net assets</b>                                 | <b>6543.53</b>          | <b>4207.42</b>              |

The net cash flows attributable to the Chennai Car Plant are as given below:

₹ in lacs

|                                    | October 1, 2013 to<br>March 29, 2014 | April 1, 2012 to<br>September 30, 2013 |
|------------------------------------|--------------------------------------|--|
| Operating activities               | 1691.66                              | (2560.42)                              |
| Investing activities               | (217.27)                             | (1041.43)                              |
| Financing activities               | (1627.99)                            | 3380.15                                |
| <b>Net cash inflows/(outflows)</b> | <b>(153.60)</b>                      | <b>(221.70)</b>                        |

49. The financial year 2012-13 of the Company was extended by six months till September 30, 2013. Consequently, the Company has changed the financial year 2013-14 to end on March 31, 2014. Hence, the current period's figures in the Statement of Profit & Loss for 6 months are not comparable with the previous period's figures of 18 months.

50. Previous period's figures have been regrouped / rearranged wherever necessary.

As per our report of even date.

For **S.R. Batliboi & Co. LLP**  
Chartered Accountants  
ICAI Firm Registration Number : 301003E

Per **Raj Agrawal**  
Partner  
Membership No.: 82028  
Place: Kolkata  
Date : August 05, 2014

**Tarun Kumar Kabra**  
Company Secretary

**Aniruddha Sarkar**  
Chief Financial Officer and  
Head Legal

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

**A. Sankaranarayanan**  
Director

**Uttam Bose**  
Director



## INDEPENDENT AUDITOR'S REPORT

### TO THE BOARD OF DIRECTORS OF HINDUSTAN MOTORS LIMITED REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Hindustan Motors Limited ("the Company") and its subsidiaries & associates, which comprise the Consolidated Balance Sheet as at March 31, 2014, and the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the six month period then ended, and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the loss for the six month period ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the six month period ended on that date.

#### **Emphasis of Matters**

We draw attention to following notes to the consolidated financial statements;

- a) Note 42 regarding preparation of the accounts on a going concern basis. The Company has been incurring losses and its net worth stands fully eroded and also, its current liabilities exceed its current assets. Also, the

Company has sold its Chennai Plant and has suspended operations in its Uttarpara plant. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern, which is dependent on the Company establishing profitable operations.

- b) Note 32 (e) regarding the demand of Government of West Bengal (GoWB) for payment of ₹ 19447 lacs along with interest thereon in relation to excess realization of the said sum from the sale of land at Hindmotor, West Bengal, in earlier years. As stated in the said Note, the Company is of the view that it has not committed any default of the said Government Order and based on the legal advice obtained by the Company, no provision is considered necessary by the management against the said claim of GoWB.

Our opinion is not qualified in respect of above matters.

**Other Matter**

We did not audit total assets of ₹ 8.37 lacs as at March 31, 2014, total revenues of ₹ 1.41 lacs and net cash inflows to ₹ 8.35 lacs for the six month period then ended, in respect of subsidiaries and Group's share of net loss of ₹ 39.34 lacs for six month period ended March 31, 2014 in respect of certain associates, included in the accompanying consolidated financial statements, whose financial statements and other financial information have been audited by other auditors and whose reports have been furnished to us. Our opinion, in so far as it relates to the affairs of such subsidiaries and associates is based solely on the report of other auditors. Our opinion is not qualified in respect of this matter.

For **S.R. BATLIBOI & CO. LLP**

*Chartered Accountants*

ICAI Firm Registration Number : 301003E

*Per Raj Agrawal*

*Partner*

Membership No.: 82028

Place : Kolkata

Date : August 05, 2014

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES & ASSOCIATES  
BALANCE SHEET AS AT MARCH 31, 2014

|                                      |    | ₹ in lacs        |                    |
|--------------------------------------|----|------------------|--------------------|
|                                      |    | As at            | As at              |
|                                      |    | March 31, 2014   | September 30, 2013 |
|                                      |    | Notes            |                    |
| <b><u>EQUITY AND LIABILITIES</u></b> |    |                  |                    |
| <b>A. SHAREHOLDERS' FUNDS</b>        |    |                  |                    |
| Share Capital                        | 2  | 9247.08          | 9247.08            |
| Reserves and Surplus                 | 3  | (12768.37)       | (12538.43)         |
|                                      |    | <b>(3521.29)</b> | <b>(3291.35)</b>   |
| <b>B. NON-CURRENT LIABILITIES</b>    |    |                  |                    |
| Deferred Tax Liability (Net)         | 4  | -                | -                  |
| Other Long-Term Liabilities          | 5  | 442.87           | 1340.00            |
| Long-Term Provisions                 | 6  | 878.80           | 789.62             |
|                                      |    | <b>1321.67</b>   | <b>2129.62</b>     |
| <b>C. CURRENT LIABILITIES</b>        |    |                  |                    |
| Short-Term Borrowings                | 7  | 1878.40          | 7170.79            |
| Trade Payables                       | 8  | 4890.47          | 8016.11            |
| Other Current Liabilities            | 9  | 13461.24         | 11789.43           |
| Short-Term Provisions                | 10 | 868.39           | 780.03             |
|                                      |    | <b>21098.50</b>  | <b>27756.36</b>    |
|                                      |    | <b>18898.88</b>  | <b>26594.63</b>    |
| <b><u>ASSETS</u></b>                 |    |                  |                    |
| <b>D. NON-CURRENT ASSETS</b>         |    |                  |                    |
| Fixed Assets                         |    |                  |                    |
| Tangible Assets                      | 11 | 3720.35          | 10525.53           |
| Intangible Assets                    | 11 | 188.32           | 1299.08            |
| Capital Work-In-Progress             |    | -                | 48.66              |
| Intangible Assets under Development  |    | -                | 23.44              |
|                                      |    | <b>3908.67</b>   | <b>11896.71</b>    |
| Non-Current Investments              | 12 | 19.00            | 1642.71            |
| Deferred Tax Asset (Net)             | 13 | -                | 1.95               |
| Long-Term Loans and Advances         | 14 | 590.11           | 770.66             |
| Other Non-Current Assets             | 15 | 2086.63          | -                  |
|                                      |    | <b>6604.41</b>   | <b>14312.03</b>    |
| <b>E. CURRENT ASSETS</b>             |    |                  |                    |
| Inventories                          | 16 | 1517.62          | 8136.55            |
| Trade Receivables                    | 17 | 1811.21          | 2064.80            |
| Cash and Bank Balances               | 18 | 89.08            | 802.65             |
| Short-Term Loans and Advances        | 19 | 335.14           | 1261.52            |
| Other Current Assets                 | 20 | 8541.42          | 17.08              |
|                                      |    | <b>12294.47</b>  | <b>12282.60</b>    |
|                                      |    | <b>18898.88</b>  | <b>26594.63</b>    |

**Significant Accounting Policies**

1.2

The accompanying notes are an integral part of the financial statements

As per our report of even date.

For **S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration Number : 301003E

Per **Raj Agrawal**

Partner

Membership No.: 82028

Place: Kolkata

Date : August 05, 2014

**Tarun Kumar Kabra**

Company Secretary

**Aniruddha Sarkar**

Chief Financial Officer and

Head Legal

As Approved,

For and on behalf of the Board of Directors

**A. Sankaranarayanan**

Director

**Uttam Bose**

Director

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES & ASSOCIATES  
STATEMENT OF PROFIT AND LOSS FOR 6 MONTH PERIOD FROM OCTOBER 1, 2013 TO MARCH 31, 2014

|  |       | ₹ in lacs               |                          |
|--|-------|-------------------------|--------------------------|
|  |       | 2013-2014<br>(6 Months) | 2012-2013<br>(18 Months) |
| A. INCOME  | Notes |                         |                          |
| Revenue from Operations (Gross)  | 21    | 22581.37                | 88211.03                 |
| Less: Excise Duty  |       | 4303.26                 | 15788.24                 |
| Revenue from Operations (Net)  |       | 18278.11                | 72422.79                 |
| Other income   | 22    | 619.13                  | 1232.06                  |
|  |       | <b>18897.24</b>         | <b>73654.85</b>          |
| B. EXPENSES  |       |                         |                          |
| Cost of Raw Materials and Components Consumed  | 23    | 11252.14                | 42568.87                 |
| Bulletproofing of Vehicles   |       | -                       | 82.16                    |
| Purchase of Traded Goods   | 24    | 2464.84                 | 17843.00                 |
| Decrease / (Increase) in Stocks  | 25    | 1219.59                 | (1575.91)                |
| Employee Benefits Expense  | 26    | 4371.69                 | 13628.62                 |
| Finance Costs  | 27    | 5705.42                 | 2987.14                  |
| Depreciation & Amortisation Expense  | 28    | 845.08                  | 2202.00                  |
| Other Expenses   | 29    | 3447.80                 | 11777.23                 |
|  |       | <b>29306.56</b>         | <b>89513.11</b>          |
| <b>Profit / (Loss) Before Exceptional Items and Tax</b>  |       | <b>(10409.32)</b>       | <b>(15858.26)</b>        |
| Add: Exceptional Items   | 30    | 10480.13                | 7269.44                  |
| <b>Profit / (Loss) Before Tax</b>  |       | <b>70.81</b>            | <b>(8588.82)</b>         |
| [including Loss of ₹ 202.79 lacs (Loss of ₹ 2333.63 lacs) for discontinued operations-Refer Note 44] |       |                         |                          |
| Tax Expenses   |       |                         |                          |
| Current Tax  |       | 236.57                  | 39.08                    |
| Deferred Tax Charge / (Credit)   |       | -                       | (878.49)                 |
| Income Tax of Earlier Years (Net of Write back)  |       | -                       | 1.90                     |
| <b>Total Tax Expenses / (Credit)</b>   |       | <b>236.57</b>           | <b>(837.51)</b>          |
| [including ₹ Nil (credit of ₹ 542.44 lacs) for discontinued operations-Refer Note 44]                |       |                         |                          |
| <b>Profit / (Loss) for the period</b>  |       | <b>(165.76)</b>         | <b>(7751.31)</b>         |
| [including Loss of ₹ 202.79 lacs (Loss of ₹ 1791.19 lacs) for discontinued operations-Refer Note 44] |       |                         |                          |
| Add: Proportionate Share of Profit / (Loss) of Associate Companies                                   |       | (39.34)                 | 403.50                   |
| <b>Profit / (Loss) for the period</b>  |       | <b>(205.10)</b>         | <b>(7347.81)</b>         |
| [including Loss of ₹ 202.79 lacs (Loss of ₹ 1791.19 lacs) for discontinued operations-Refer Note 44] |       |                         |                          |
| Earning Per Equity Share (Nominal value of Share ₹ 5)  | 33    |                         |                          |
| Basic  | ₹     | (0.12)                  | (4.01)                   |
| Diluted  | ₹     | (0.12)                  | (4.01)                   |
| <b>Significant Accounting Policies</b>   | 1.2   |                         |                          |
| The accompanying notes are an integral part of the financial statements                              |       |                         |                          |

As per our report of even date.

For **S.R. Batliboi & Co. LLP**  
Chartered Accountants  
ICAI Firm Registration Number : 301003E

Per **Raj Agrawal**  
Partner  
Membership No.: 82028  
Place: Kolkata  
Date : August 05, 2014

**Tarun Kumar Kabra**  
Company Secretary  
  
**Aniruddha Sarkar**  
Chief Financial Officer and  
Head Legal

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

**A. Sankaranarayanan**  
Director  
  
**Uttam Bose**  
Director

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES & ASSOCIATES  
 CONSOLIDATED CASH FLOW STATEMENT FOR 6 MONTH PERIOD FROM OCTOBER 1, 2013 TO MARCH 31, 2014

|   | ₹ in lacs                             |  |
|---|---------------------------------------|--|
|   | <b>2013-2014</b><br><b>(6 Months)</b> | <b>2012-2013</b><br><b>(18 Months)</b> |
| <b>(A) CASH FLOW FROM OPERATING ACTIVITIES :</b>  |                                       |  |
| NET PROFIT / (LOSS) BEFORE TAX  | 70.81                                 | (8588.82)                              |
| ADJUSTMENTS FOR:  |                                       |  |
| Depreciation and amortisation Expense   | 845.08                                | 2202.00                                |
| Exceptional Income  | (10480.13)                            | (7269.44)                              |
| Interest Income   | (16.96)                               | (226.76)                               |
| Finance Costs   | 5705.42                               | 2987.14                                |
| Unspent Liabilities and Provisions no longer required written back                                | (273.91)                              | (682.99)                               |
| Provision for doubtful debts and advances (Net)   | 31.18                                 | 70.47                                  |
| Irrecoverable Debts, Claims and Advances written off  | 247.34                                | 169.20                                 |
| Unrealised Foreign Exchange Loss (Net)  | (136.91)                              | 151.86                                 |
| Net Loss on Fixed Assets Sold/Discarded   | 47.52                                 | 110.20                                 |
| Dividend Income   | -                                     | (98.60)                                |
| <b>OPERATING (LOSS) BEFORE WORKING CAPITAL CHANGES</b>  | <b>(3960.56)</b>                      | <b>(11175.74)</b>                      |
| <b>Movement in working capital</b>  |                                       |  |
| Increase/(Decrease) in Other Long Term Liabilities  | (128.36)                              | 820.96                                 |
| Increase/(Decrease) in Trade Payable and Other Current Liabilities                                | (2303.82)                             | 2242.80                                |
| Increase/(Decrease) in Long Term provisions   | 162.11                                | 141.31                                 |
| Increase/(Decrease) in Short Term provisions  | (12.37)                               | 509.15                                 |
| Decrease/(Increase) in Trade Receivables  | (794.35)                              | (1412.36)                              |
| Decrease/(Increase) in Long-Term Loans and Advances and Other Non-Current Assets                  | 40.65                                 | (281.93)                               |
| Decrease/(Increase) in Short-Term Loans and Advances and Other Current Assets                     | 425.87                                | 180.75                                 |
| Decrease/(Increase) in Inventories  | 4188.16                               | (1951.98)                              |
| <b>CASH USED IN OPERATIONS</b>  | <b>(2382.67)</b>                      | <b>(10927.04)</b>                      |
| Add: Current Tax (Paid) / Refund (Net)  | (22.21)                               | (17.54)                                |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>  | <b>(2404.88)</b>                      | <b>(10944.58)</b>                      |
| <b>(B) CASH FLOW FROM INVESTING ACTIVITIES :</b>  |                                       |  |
| Sale of Fixed Assets  | 222.01                                | 230.21                                 |
| Sale of Chennai Car Plant pursuant to Business Transfer Agreement (Refer note 43)                 | 5115.31                               | -                                      |
| Dividend Received   | -                                     | 98.60                                  |
| Proceeds from Sale of Investments in Associate / Subsidiary                                       | 3154.22                               | 14042.82                               |
| Interest Received on Fixed Deposits and others  | 16.96                                 | 226.76                                 |
| Purchase of Fixed Assets  | (464.36)                              | (1819.21)                              |
| Proceeds from Fixed Deposit Matured   | 77.32                                 | 1544.47                                |
| <b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>   | <b>8121.46</b>                        | <b>14323.65</b>                        |
| <b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>  |                                       |  |
| Repayment of Long Term borrowings   | (439.72)                              | (1157.54)                              |
| Net Increase / (Decrease) in Intercompany Deposits and others                                     | (4672.39)                             | (2090.70)                              |
| Proceeds from Issue of Share Capital  | -                                     | 1084.12                                |
| Interest Paid   | (952.68)                              | (2563.42)                              |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>  | <b>(6064.79)</b>                      | <b>(4727.54)</b>                       |
| <b>NET CHANGES IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>   | <b>(348.21)</b>                       | <b>(1348.47)</b>                       |
| <b>CASH &amp; CASH EQUIVALENTS - BEGINNING OF THE YEAR</b>  | <b>714.79</b>                         | <b>2063.26</b>                         |
|   | <b>366.58</b>                         | <b>714.79</b>                          |
| Less: Cash & Cash Equivalents transferred pursuant to Business Transfer Agreement (refer Note 43) | 288.04                                | -                                      |
| <b>CASH &amp; CASH EQUIVALENTS - AT THE END OF THE YEAR</b>                                       | <b>78.54</b>                          | <b>714.79</b>                          |
| Cash and Cash Equivalents as above  | 78.54                                 | 714.79                                 |
| Other Bank Balances   | 10.54                                 | 87.86                                  |
| <b>Cash and Bank Balances as per Note 18.</b>   | <b>89.08 *</b>                        | <b>802.65</b>                          |

\* Includes ₹ 1.93 lacs (₹ 1.95 lacs) lying in Unpaid Dividend Account and ₹ 10.54 lacs (₹ 10.37 lacs) lying as Margin money deposit having restrictive use.

Note: The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard-3 on Cash Flow Statements as notified by Companies (Accounting Standard) Rules, 2006 (as amended).

As per our report of even date.

For **S.R. Batliboi & Co. LLP**  
 Chartered Accountants  
 ICAI Firm Registration Number : 301003E

Per **Raj Agrawal**  
 Partner  
 Membership No.: 82028  
 Place: Kolkata  
 Date : August 05, 2014

**Tarun Kumar Kabra**  
 Company Secretary  
  
**Aniruddha Sarkar**  
 Chief Financial Officer and  
 Head Legal

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

**A. Sankaranarayanan**  
 Director  
  
**Uttam Bose**  
 Director

**1.0 Principles of consolidated financial statements :**

The consolidated financial statements which relate to Hindustan Motors Limited, its subsidiary companies and the associate companies ("the Group") 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 eliminating intra group balances, intra group transactions and any unrealised profit / loss included therein in accordance with Accounting Standard (AS) 21 "Consolidated Financial Statements" as notified by the Companies (Accounting Standards) Rules, 2006 (as amended).
- 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<br>Incorporation | % of Ownership<br>as on 31.03.2014 |
|--|-----------------------------|------------------------------------|
| Hindustan Motors Ltd.  | Delaware, U.S.A.            | 100 (100)                          |
| Hindustan Motor Finance Corporation Ltd.<br>(Ceased to be subsidiary w.e.f. December 12, 2013) | India                       | - (100)                            |

- e) In terms of Accounting Standard 11, notified by the Companies (Accounting Standard) Rules, 2006 (as amended), exchange fluctuations on conversion of the accounts of foreign subsidiary have been taken to "Foreign Currency Translation Reserve" (Refer Note 3). The exchange rate considered for translation of financial statements of foreign subsidiary is considered at 1 US \$ = ₹ 60.0250 (1 US \$ = ₹ 62.7770).
- f) Investments in associates have been accounted for using the equity method in accordance with Accounting Standard (AS) 23 "Accounting for Investments in Associates in Consolidated Financial Statements" as notified by the Companies Accounting Standards Rules, 2006 (as amended).
- g) The Company accounts for its share of the change in the net assets of the associate, post acquisition, after eliminating unrealised profit and loss resulting from the transactions between the Company and its associate to the extent of its share, through its Statement of Profit and Loss, to the extent such change is attributable to the associate's Statement of Profit and Loss.
- h) 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.
- i) The associate Companies considered in the financial statements are as follows :

| Name   | Country of<br>Incorporation | % of Ownership<br>as at 31.03.2014 |
|--|-----------------------------|------------------------------------|
| Hindustan Motor Finance Corporation Limited<br>(Became an associate w.e.f. December 12, 2013<br>and ceased to be an associate w.e.f. March 25, 2014) | India                       | - (-)                              |
| HM Export Limited<br>(ceased to be an associate w.e.f. December 12, 2013)  | India                       | - (28.34)                          |

**1.1 Basis of Preparation :**

The financial statements have been prepared to comply in all material respects with the accounting principles generally accepted in India, including mandatory Accounting Standards notified under the Companies

(Accounting Standard) Rules, 2006 (as amended) under the historical cost convention and on an accrual basis. The accounting policies, in all material respects, have been consistently applied by the Company and are consistent with those used in the previous year.

## **1.2 Significant Accounting Policies :**

### **(i) 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.
- (c) Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (d) Dividend income is recognised when the Company's right to receive dividend is established by the reporting date.

### **(ii) Fixed Assets :**

- (a) Fixed Assets are stated at cost of acquisition inclusive of duties (net of Cenvat and Value Added Tax credits), taxes, incidental expenses, erection / commissioning expenses and technical know-how fees etc. up to the date the asset is ready for its intended use, less accumulated depreciation and impairment losses, if any. 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 revaluation reserve.
- (b) Machinery spares which can be used only in connection with an item of fixed asset and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual useful lives 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 using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets.
- (d) Assets awaiting disposal are valued at lower of written down value and net realisable value and disclosed separately.

### **(iii) 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 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 not intended for trading or speculation purpose :**

The premium or discount arising at the inception of forward exchange contracts is amortised as expense 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.

**(iv) Depreciation :**

(a) Depreciation on Fixed Assets is provided on Straight Line Method at the rates arrived at on the basis of their useful lives, which are equivalent to the rates specified in Schedule XIV of the Companies Act, 1956, except for vehicles used for Research and Development purpose, which are depreciated @ 20% p.a. which is higher than the rate prescribed under Schedule XIV of the Companies Act, 1956. The Company has a process of reassessment of useful life of assets and wherever necessary, the accelerated depreciation is provided.

(b) The classification of Plant and Machinery into continuous and non-continuous process is done as per technical certification and depreciation thereon is provided accordingly.

(c) Technical Know-how fees included under the head "Intangible Assets" are amortised over the period of respective agreements or over the useful life of 10 years, whichever is lower. Other Intangible Assets are amortised over a period of three to five years on a straight line basis, being their estimated useful lives.

(d) Depreciation includes the amount amortised 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 at the rates based on their estimated useful lives, 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 asset over its remaining useful life.

**(v) 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.

**(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 Statement of Profit and Loss on a straight line basis over the lease term.

**(vi) Intangibles :**

Technical know-how fees/ acquired computer software and licenses are capitalized on the basis of costs incurred to bring the specific intangibles to its intended use.

**Research and development costs :**

Research and Development costs are expensed, except for certain development expenses which are capitalized if commercial and technological feasibility criteria are met. Expenditure already charged to Statement of Profit and Loss is not restated.

**(vii) Investments :**

- (a) Investments that are readily realizable and intended to be held for not more than one year, are classified as current investments. All other investments are classified as long-term investments.
- (b) 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.

**(viii) 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 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.
- (d) Cost of finished goods and work in progress include direct materials, labour and an appropriate proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

**(ix) 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.

**(x) Cash & Cash Equivalents :**

Cash and Cash equivalents comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

**(xi) Derivative Instruments :**

Derivative instruments, except for forward exchange contracts, which are not intended for trading or speculation, but as hedge for underlying transactions are accounted as per ICAI announcement. Derivative contracts, other than those covered under Accounting Standard - 11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effects on the underlying hedge item, is charged to the income statement. Net gains are ignored.

**(xii) Retirement & other employee benefits :**

**(a) Defined Contribution plans :**

Company's contributions to Provident Fund and Superannuation Scheme are charged to Statement of Profit & Loss 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 Funds.

**(b) Defined benefit and long term employee benefit plans :**

Gratuity liability and compensated leave liability in the form of accumulated leaves 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 as income or expense.

The Company treats accumulated leaves expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. The Company presents the leaves as a current liability in the Balance Sheet, to the extent it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

**(xiii) 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. Exchange differences arising from foreign currency borrowings to the extent that they are regarded as finance costs in terms of the Accounting Standard 16 are considered as borrowing cost.

**(xiv) 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.

**(xv) Taxation :**

- (a) Tax expenses comprise of current & deferred tax. Current income 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 reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.
- (b) Deferred tax is accounted for using the tax rates and laws that have been substantively enacted at 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. Deferred Tax assets and Deferred Tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. If the Company has carry forward unabsorbed depreciation and tax losses, all 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) At each Balance Sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**(xvi) Segment Reporting :**

**(a) Identification of Segments :**

The Company has identified that its business 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 segments 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.

**(xvii) Product related Warranty Claims :**

Provision for product related warranty 'costs' is based on the claims received up to 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.

**(xviii) Contingencies :**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation.

**(xix) Earnings per share :**

Basic 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.

**(xx) Use of Estimates :**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

|   | As at<br>March 31, 2014 | As at<br>September 30, 2013 |
|---|-------------------------|-----------------------------|
| ₹ in lacs   |                         |                             |
| <b>A. SHAREHOLDERS' FUND</b>  |                         |                             |
| <b>NOTE 2 : SHARE CAPITAL</b>                                       |                         |                             |
| <b>Authorised</b>   |                         |                             |
| 33,00,00,000 (33,00,00,000) Equity Shares of ₹ 5 each               | 16500.00                | 16500.00                    |
| 55,00,000 (55,00,000) Unclassified Shares of ₹ 100 each             | 5500.00                 | 5500.00                     |
|   | <u>22000.00</u>         | <u>22000.00</u>             |
| <b>Issued</b>   |                         |                             |
| 18,51,89,297 (18,51,89,297) Equity Shares of ₹ 5 each               | <u>9259.46</u>          | <u>9259.46</u>              |
| <b>Subscribed and Paid-up</b>                                       |                         |                             |
| 18,47,71,993 (18,47,71,993) Equity Shares of ₹ 5 each fully paid up | 9238.60                 | 9238.60                     |
| Add: Forfeited Shares (Amount originally paid-up)                   | 8.48                    | 8.48                        |
|   | <u>9247.08</u>          | <u>9247.08</u>              |

- a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period.

**Equity Shares - Subscribed and Paid up (Nos.)**

|   |              |              |
|---|--------------|--------------|
| At the beginning of the period                        | 18,47,71,993 | 17,29,71,993 |
| Add: Issue of Equity Shares on conversion of Warrants | -            | 1,18,00,000  |
| Outstanding at the end of the period                  | 18,47,71,993 | 18,47,71,993 |

- b) **Terms / Rights attached to equity shares**

The Company has only one class of equity shares issued and subscribed of face value of ₹ 5 per share. Each holder of equity share is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive assets of the Company remaining after settlement of all liabilities. The distribution will be in proportion to the number of equity shares held by the shareholders. In the event of declaration of final dividend by the Company, approval of shareholders will be required in its Annual General Meeting. As the Company is under Corporate Debt Restructuring Scheme, declaration of dividend would also require approval of the Lenders.

- c) As per records of the Company, details of Shareholders holding more than 5% Equity Shares in the Company as on the balance sheet date

| Name of Shareholders               | As at March 31, 2014 |              | As at September 30, 2013 |              |
|------------------------------------|----------------------|--------------|--------------------------|--------------|
|                                    | No. of Shares        | % of Holding | No. of Shares            | % of Holding |
| National Bearing Co. (Jaipur) Ltd. | 2,26,12,354          | 12.24%       | 2,26,12,354              | 12.24%       |
| Central India Industries Ltd.      | 1,84,00,600          | 9.96%        | 1,84,00,600              | 9.96%        |

As per records of the Company, including its register of Shareholders / Members and other declarations received from Shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of Shares.

|   | ₹ in lacs                |                             |
|---|--------------------------|-----------------------------|
|   | As at<br>March 31, 2014  | As at<br>September 30, 2013 |
| <b>A. SHAREHOLDERS' FUND</b>                                      |                          |                             |
| <b>NOTE 3 : RESERVES AND SURPLUS</b>                              |                          |                             |
| <b>a) Capital Reserve</b>   |                          |                             |
| As per last account   | 3.53                     | 3.53                        |
| <b>b) Securities Premium Account</b>                              |                          |                             |
| As per last year  | 1711.00                  | 855.50                      |
| Add: Received on Issue of Shares                                  | -                        | 855.50                      |
|   | <u>1711.00</u>           | <u>1711.00</u>              |
| <b>c) Revaluation Reserve</b>                                     |                          |                             |
| As per last account   | 756.17                   | 756.28                      |
| Less: Adjusted towards Assets sold                                | 26.31                    | -                           |
| Less: Transferred to Depreciation Account                         | 0.04                     | 0.11                        |
|   | <u>729.82</u>            | <u>756.17</u>               |
| <b>d) Central Subsidy</b>   |                          |                             |
| As per last account   | 15.00                    | 15.00                       |
| <b>e) Foreign Currency Translation Reserve</b>                    |                          |                             |
| As per last account   | (10.57)                  | (8.70)                      |
| Add: For the period   | 1.51                     | (1.87)                      |
| [Refer Note 1.0 (e)]  | (9.06)                   | (10.57)                     |
| <b>f) Surplus / (Deficit) in the Statement of Profit and Loss</b> |                          |                             |
| As per last account   | (15013.56)               | (7665.75)                   |
| Add: Profit / (Loss) for the period                               | (205.10)                 | (7347.81)                   |
|   | <u>(15218.66)</u>        | <u>(15013.56)</u>           |
|   | <u><u>(12768.37)</u></u> | <u><u>(12538.43)</u></u>    |

**B. NON-CURRENT LIABILITIES**

**NOTE 4 : DEFERRED TAX LIABILITY (NET)**

|   |                |                |
|---|----------------|----------------|
| Deferred tax liability arising on account of:               |                |                |
| Timing difference in depreciable assets                     | 749.82         | 2316.53        |
| Deferred tax assets arising on account of:                  |                |                |
| Expenses allowable against taxable income in future years   | 1865.52        | 1425.57        |
| Unabsorbed depreciation and carried forward business losses | 3011.39        | 4856.74        |
|   | <u>4876.91</u> | <u>6282.31</u> |
|   | (4127.09)      | (3965.78)      |
| Less : Deferred Tax Asset not recognised (Refer Note below) | 4127.09        | 3965.78        |
|   | <u>-</u>       | <u>-</u>       |

In terms of accounting policy (1.2)(xv)(b) followed by the Company, deferred tax assets of ₹ 4127.09 lacs (₹ 3965.78 lacs) have not been recognised.

**NOTE 5 : OTHER LONG TERM LIABILITIES**

|   |               |                |
|---|---------------|----------------|
| Trade Payables                                      | 216.21        | 285.32         |
| Amount payable under Voluntarily Retirement Schemes | 61.69         | 96.73          |
| Payable against Purchases of Fixed Assets           | -             | 583.12         |
| Security and Other Deposits                         | 164.97        | 374.83         |
|   | <u>442.87</u> | <u>1340.00</u> |

|   | ₹ in lacs               |                             |
|---|-------------------------|-----------------------------|
|   | As at<br>March 31, 2014 | As at<br>September 30, 2013 |
| <b>B. NON-CURRENT LIABILITIES</b>   |                         |                             |
| <b>NOTE 6 : LONG-TERM PROVISIONS</b>  |                         |                             |
| Gratuity (Refer Note 38)  | 878.80                  | 721.33                      |
| Warranties (Refer Note 34)  | -                       | 68.29                       |
|   | <u>878.80</u>           | <u>789.62</u>               |
| <b>C. CURRENT LIABILITIES</b>   |                         |                             |
| <b>NOTE 7 : SHORT TERM BORROWINGS</b>   |                         |                             |
| <b>SECURED</b>  |                         |                             |
| From Banks  |                         |                             |
| Cash Credits  | 458.83                  | 993.25                      |
| Buyers Credit in foreign currency   | 919.57                  | 2612.54                     |
|   | <u>1378.40</u>          | <u>3605.79</u>              |
| <b>UNSECURED</b>  |                         |                             |
| Deposits from:  |                         |                             |
| Associate Companies<br>(Ceased to be associates during the period)  | 500.00                  | 515.00                      |
| Other Bodies Corporate  | -                       | 3050.00                     |
|   | <u>500.00</u>           | <u>3565.00</u>              |
| <b>TOTAL</b>  | <u>1878.40</u>          | <u>7170.79</u>              |
| a) Cash Credits facilities from Banks ₹ 458.83 lacs (₹ 993.25 lacs) and buyers credit ₹ 919.57 lacs (₹ 2612.54 lacs) together with interest and other charges thereon, are secured by a mortgage on a part of the Company's land together with other immovable assets thereon (including assets of Chennai Car Plant sold to Hindustan Motor Finance Corporation Limited-Refer Note 43), both present and future, and by way of a hypothecation charge over all the movable assets including book debts of the Company (including assets of Chennai Car Plant sold to Hindustan Motor Finance Corporation Limited-Refer Note 43). Cash Credit is repayable on demand and carries interest @ 10.897% p.a. on monthly rest. Buyers credit is taken for a period ranging from 3 to 6 months and carries interest ranging from Libor plus 0.57% to 0.75% p.a.<br>The charges referred above along with those referred to in Note. 9 (a) rank pari-passu amongst various Financial Institutions and Banks. |                         |                             |
| b) Inter corporate deposits are generally taken for a term of three months, while some of them are also repayable on demand and carry interest @ 11% to 16.50% p.a. Aggregate amount of Loans payable on demand amounts to ₹ 500.00 lacs (₹ 1565.00 lacs).  |                         |                             |
| <b>NOTE 8 : TRADE PAYABLES</b>  |                         |                             |
| Goods and Services<br>[Including Acceptances ₹ 1984.41 lacs (₹ 1851.09 lacs)]<br>(Refer Note 36 for details of dues to micro and small enterprises)   | <u>4890.47</u>          | <u>8016.11</u>              |
| <b>NOTE 9 : OTHER CURRENT LIABILITIES</b>   |                         |                             |
| Current maturities of Long-Term Borrowings :  |                         |                             |
| Sales Tax Deferral Credit   | 1791.50                 | 1791.50                     |
| Term Loan from  |                         |                             |
| Banks   | 347.41                  | 694.82                      |
| Financial Institutions  | 92.20                   | 184.51                      |
| Current portion of amount payable under Voluntarily Retirement Schemes  | 87.50                   | 97.67                       |
| Interest Accrued on Borrowings :  |                         |                             |
| Due   | 95.55                   | 244.96                      |
| Not due   | 4949.53                 | 65.47                       |



|   | ₹ in lacs               |                             |
|---|-------------------------|-----------------------------|
|   | As at<br>March 31, 2014 | As at<br>September 30, 2013 |
| <b>C. CURRENT LIABILITIES</b>                 |                         |                             |
| Advance against Sales                         | 512.33                  | 282.57                      |
| Statutory dues payable                        | 2363.09                 | 4295.79                     |
| Payable against Purchases of Fixed Assets     | 58.30                   | 723.09                      |
| Forward Contract Payable                      | 9.27                    | -                           |
| Liabilities for Expenses on Employee Benefits | 1790.86                 | 1605.84                     |
| Liabilities for Other Expenses                | 856.58                  | 1039.09                     |
| Other Payables                                | 498.38                  | 746.64                      |
| Security and Other Deposits                   | 6.79                    | 15.53                       |
| Investor Education and Protection Fund *      |                         |                             |
| Unpaid Dividend                               | 1.95                    | 1.95                        |
|   | <u>13461.24</u>         | <u>11789.43</u>             |

\* Amount not deposited as the cases are sub-judice.

**Notes :**

- Term Loans ₹ 439.61 lacs (₹ 879.33 lacs) from the Financial Institutions and Banks together with interest and other charges thereon, are secured by a mortgage on a part of the Company's land with other immovable assets thereon (including assets of Chennai Car Plant sold to Hindustan Motor Finance Corporation Limited-Refer Note 43), both present and future, and by way of a hypothecation charge over all the movable assets including book debts of the Company (including assets of Chennai Car Plant sold to Hindustan Motor Finance Corporation Limited-Refer Note 43). These charges along with those referred to in Note 7(a) rank pari-passu amongst various Financial Institutions and Banks.
- Term Loans from Banks and Financial Institutions carry interest @ 10.897% and 11% p.a. on monthly / quarterly rest respectively.
- Term Loans from Banks and Financial Institutions as detailed below, became due during the period but have not been paid as on the Balance Sheet date.

| <u>Due date</u>   | ₹ in lacs               |                 |
|-------------------|-------------------------|-----------------|
|                   | <u>Principal Amount</u> | <u>Interest</u> |
| January 31, 2014  | 96.03                   | 0.42            |
| February 28, 2014 | 96.09                   | 2.50            |
| March 31, 2014    | 247.49                  | 6.24            |
|                   | <u>439.61</u>           | <u>9.16</u>     |

- Sales tax deferral credit of ₹ 1791.50 lacs includes ₹ 1471.95 lacs as detailed below, which became due but has not been paid as on the Balance Sheet date. Sales Tax Deferral Credit is interest free.

| <u>Due date</u>  | ₹ in lacs               |                            |
|--|-------------------------|----------------------------|
|  | <u>Principal Amount</u> | <u>Interest on overdue</u> |
| Became due in the previous period ended September 30, 2013 | 1061.87                 | 155.41                     |
| October 31, 2013   | 211.10                  | 10.48                      |
| January 31, 2014   | 198.98                  | 3.86                       |
|  | <u>1471.95</u>          | <u>169.75</u>              |

**NOTE 10 : SHORT-TERM PROVISIONS**

|   |               |               |
|---|---------------|---------------|
| Leave Liability   | 626.64        | 635.29        |
| Warranties (Refer Note 34)                              | 43.74         | 140.75        |
| Provision for Taxation                                  |               |               |
| [Net of tax deducted at source of ₹ 38.56 lacs (₹ Nil)] | 198.01        | 3.99          |
|   | <u>868.39</u> | <u>780.03</u> |

**HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES & ASSOCIATES**  
Notes to Consolidated Financial Statements for 6 month period from October 1, 2013 to March 31, 2014

**NOTE 11 : FIXED ASSETS**

₹ in lacs

| Particulars   | Tangible Assets |                |                     |                   |                      |                   |          | Intangible Assets |          |          |                    | Total  |                     |
|---|-----------------|----------------|---------------------|-------------------|----------------------|-------------------|----------|-------------------|----------|----------|--------------------|--------|---------------------|
|   | Freehold Land   | Leasehold Land | Buildings (b) & (c) | Plant & Equipment | Furniture & Fixtures | Office Equipments | Vehicles | Total             | Goodwill | Software | Technical Know How |        | Product Development |
| <b>At Cost or Revalued Amount</b>                           |                 |                |                     |                   |                      |                   |          |                   |          |          |                    |        |                     |
| <b>As at April 1, 2012</b>                                  | 694.81          | 17.72          | 9199.00             | 34891.23          | 486.95               | 958.20            | 878.23   | 47126.14          | 0.05     | 223.04   | 812.48             | -      | 1035.57             |
| Additions   | -               | -              | 19.04               | 1975.85           | 2.75                 | 3.73              | 162.10   | 2163.47           | -        | 8.27     | 1119.62            | 186.69 | 1314.58             |
| Disposals   | -               | -              | -                   | 4359.74           | 9.12                 | 166.49            | 369.35   | 4904.70           | -        | -        | 138.75             | -      | 138.75              |
| Deletion upon Subsidiary Ceased w.e.f. 26.09.13 (HM Export) | -               | -              | -                   | 0.69              | 0.14                 | 2.37              | -        | 3.20              | -        | -        | -                  | -      | -                   |
| <b>As at September 30, 2013</b>                             | 694.81          | 17.72          | 9218.04             | 32506.65          | 480.44               | 793.07            | 670.98   | 44381.71          | 0.05     | 231.31   | 1793.35            | 186.69 | 2211.40             |
| Additions (a)   | -               | -              | 2.30                | 124.22            | -                    | 1.96              | 79.16    | 207.64            | -        | -        | -                  | 20.00  | 20.00               |
| Disposals (e)   | -               | -              | 20.30               | 966.64            | 4.71                 | 3.97              | 53.84    | 1049.46           | -        | -        | -                  | -      | -                   |
| Deletion upon Subsidiary Ceased w.e.f. 11.12.13 (H.M.F.C)   | 34.73           | -              | 4983.57             | 13911.16          | 130.59               | 389.51            | 277.89   | 19727.45          | -        | 65.29    | 1793.35            | -      | 1858.64             |
| <b>As at March 31, 2014</b>                                 | 660.08          | 17.72          | 4216.47             | 17753.07          | 345.14               | 401.55            | 418.41   | 23812.44          | 0.05     | 166.02   | -                  | 206.69 | 372.76              |
| Depreciation  |                 |                |                     |                   |                      |                   |          |                   |          |          |                    |        |                     |
| <b>As at April 1, 2012</b>                                  | -               | 4.32           | 5350.65             | 29723.40          | 403.76               | 735.39            | 456.23   | 36673.75          | 0.05     | 77.72    | 521.19             | -      | 598.96              |
| Charge for the year   | -               | 0.28           | 310.78              | 1188.52           | 27.65                | 78.24             | 144.53   | 1750.00           | -        | 77.32    | 368.57             | 6.22   | 452.11              |
| Disposals   | -               | -              | -                   | 4198.38           | 5.18                 | 154.01            | 207.08   | 4564.65           | -        | -        | 138.75             | -      | 138.75              |
| Deletion upon Subsidiary Ceased w.e.f. 26.09.13 (HM Export) | -               | -              | -                   | 0.41              | 0.15                 | 2.36              | -        | 2.92              | -        | -        | -                  | -      | -                   |
| <b>As at September 30, 2013</b>                             | -               | 4.60           | 5661.43             | 26713.13          | 426.08               | 657.26            | 393.68   | 33856.18          | 0.05     | 155.04   | 751.01             | 6.22   | 912.32              |
| Charge for the period                                       | -               | 0.09           | 99.97               | 407.57            | 3.30                 | 21.28             | 51.90    | 584.11            | -        | 60.97    | 179.36             | 20.67  | 261.00              |
| Disposals (e)   | -               | -              | 13.59               | 760.53            | 1.05                 | 3.03              | 47.50    | 825.70            | -        | -        | -                  | -      | -                   |
| Deletion upon Subsidiary Ceased w.e.f. 11.12.13 (H.M.F.C)   | -               | -              | 2389.43             | 10575.01          | 109.81               | 335.11            | 113.14   | 13522.50          | -        | 58.51    | 930.37             | -      | 988.88              |
| <b>As at March 31, 2014</b>                                 | -               | 4.69           | 3358.38             | 15785.16          | 318.52               | 340.40            | 284.94   | 20092.09          | 0.05     | 157.50   | -                  | 26.89  | 184.44              |
| Net Block   |                 |                |                     |                   |                      |                   |          |                   |          |          |                    |        |                     |
| <b>As at September 30, 2013</b>                             | 694.81          | 13.12          | 3556.61             | 5793.52           | 54.36                | 135.81            | 277.30   | 10525.53          | -        | 76.27    | 1042.34            | 180.47 | 1299.08             |
| <b>As at March 31, 2014</b>                                 | 660.08          | 13.03          | 858.09              | 1967.91           | 26.62                | 61.15             | 133.47   | 3720.35           | -        | 8.52     | -                  | 179.80 | 188.32              |

**Notes :**

- Includes Capital Expenditure on Scientific Research ₹ 0.94 Lac (₹ 37.28 Lac).
- Includes ₹ 450 Lacs (₹ 4.50 Lacs) being the value of shares in Co-operative Housing Societies.
- Includes proportionate cost of a part of Building (on leasehold land) and Other Assets amounting to ₹ 0.87 Lac (₹ 0.87 Lac) held in Joint Ownership basis with others at Kolkata.
- Land and Buildings at Uttarpara Unit were revalued during the year ended 31 March, 1984 and the resulting surplus thereon was transferred to Revaluation Reserve.
- Includes ₹ 21586.10 Lacs (Gross Block) and ₹ 14511.39 Lacs (Accumulated Depreciation) related to Chennai Car Plant which has been sold to Hindustan Motor Finance Corporation Limited pursuant to Business Transfer Agreement (Refer Note 43).

|  |                  |                           |  | As at<br>March 31, 2014 | As at<br>September 30, 2013 |
|--|------------------|---------------------------|--|-------------------------|-----------------------------|
|  |                  |                           |  | ₹ in lacs               |                             |
| <b>D. NON-CURRENT ASSETS</b>   |                  |                           |  |                         |                             |
| <b>NOTE : 12 NON CURRENT INVESTMENTS</b>   |                  |                           |  |                         |                             |
| <b>OTHER THAN TRADE-FULLY PAID<br/>(UNQUOTED) (AT COST)</b>                        |                  |                           |  |                         |                             |
| <b>GOVERNMENT SECURITIES</b>   |                  |                           |  |                         |                             |
| 12 Year National Planning Certificates   |                  |                           |  | 0.02                    | 0.02                        |
| 12 Year National Defence Certificates  |                  |                           |  | 0.02                    | 0.02                        |
| National Saving Certificates<br>(matured but pending encashment)                   |                  |                           |  | 0.06                    | 0.06                        |
|  |                  |                           |  | <b>0.10</b>             | <b>0.10</b>                 |
| <b>EQUITY SHARES</b>   |                  |                           |  |                         |                             |
| Birla Buildings Limited  | No. of<br>Shares | Face Value<br>Per Share ₹ |  | 3.00                    | 3.00                        |
| Pithampur Auto Cluster Limited   | 30000 (30000)    | 10                        |  | 5.00                    | 5.00                        |
| Bengal Shriram Hitech City Private Limited   | 50000 (50000)    | 10                        |  | 0.20                    | 0.20                        |
| AVTEC Limited  | 2000 (2000)      | 10                        |  | 6.09                    | 6.09                        |
| Less: Capital Reserve  | 10000 (10000)    | 10                        |  | 0.45                    | 0.45                        |
|  |                  |                           |  | 5.64                    | 5.64                        |
| Add: Share of post acquisition Profit  |                  |                           |  | 5.06                    | 5.06                        |
|  |                  |                           |  | 10.70                   | 10.70                       |
|  |                  |                           |  | <b>18.90</b>            | <b>18.90</b>                |
| <b>EQUITY SHARES IN ASSOCIATE COMPANIES</b>  |                  |                           |  |                         |                             |
| HM Export Limited<br>(ceased to be an associate w.e.f.<br>December 12, 2013)       | (-) (1303507)    | 10                        |  | -                       | 2774.20                     |
| Add: Share of Profit under equity method<br>post becoming associate                |                  |                           |  | -                       | 0.12                        |
|  |                  |                           |  | -                       | 2774.32                     |
| Less : Unrealised gain on sale of equity share of<br>AVTEC Limited in earlier year |                  |                           |  | -                       | 1150.61                     |
|  |                  |                           |  | -                       | <b>1623.71</b>              |
|  |                  |                           |  | <b>19.00</b>            | <b>1642.71</b>              |
| <b>NOTE 13 : DEFERRED TAX ASSET (NET)</b>  |                  |                           |  |                         |                             |
| Deferred tax assets arising on account of:   |                  |                           |  |                         |                             |
| Expenses allowable against Taxable Income in future years                          |                  |                           |  | -                       | 1.67                        |
| Unabsorbed depreciation  |                  |                           |  | -                       | 0.28                        |
|  |                  |                           |  | -                       | <b>1.95</b>                 |

|  | ₹ in lacs               |                             |
|--|-------------------------|-----------------------------|
|  | As at<br>March 31, 2014 | As at<br>September 30, 2013 |
| <b>D. NON-CURRENT ASSETS</b>   |                         |                             |
| <b>NOTE 14 : LONG-TERM LOANS AND ADVANCES</b>  |                         |                             |
| <b>Unsecured considered good</b>   |                         |                             |
| Advance against Capital Contracts  | 5.00                    | 30.04                       |
| Advances Recoverable in cash or in kind or for value to be received or pending adjustments   | 96.64                   | 127.27                      |
| Advance payment of Income Tax and Refunds Receivable (Net of provisions)   | 63.37                   | 79.72                       |
| Deposits with Government Department and Others   | 77.84                   | 176.30                      |
| Sales tax, VAT and Other Refunds Receivable (including amount paid under appeal)   | 347.26                  | 347.27                      |
| Prepaid Expenses   | -                       | 10.06                       |
|  | <u>590.11</u>           | <u>770.66</u>               |
| <b>Unsecured considered doubtful</b>   |                         |                             |
| Advance against Capital Contracts  | -                       | 10.67                       |
| Deposits with Government Department and Others   | 91.39                   | 89.04                       |
| Balances with Customs, Port Trust & Other Government Departments   | -                       | 2.44                        |
| Sales tax, VAT and Other Refunds Receivable (including amount paid under appeal)   | 55.09                   | 55.09                       |
|  | <u>146.48</u>           | <u>157.24</u>               |
| Less: Provision for Doubtful Loans and Advances  | 146.48                  | 157.24                      |
|  | -                       | -                           |
|  | <u>590.11</u>           | <u>770.66</u>               |
| <b>NOTE 15 : OTHER NON-CURRENT ASSETS</b>  |                         |                             |
| <b>Unsecured Considered Good</b>   |                         |                             |
| Other Receivables *  | 2086.63                 | -                           |
| <b>Unsecured Considered Doubtful</b>   |                         |                             |
| Insurance & Other Claims   | 413.29                  | 414.53                      |
| Export Incentives Receivable   | 1.51                    | 8.80                        |
|  | <u>414.80</u>           | <u>423.33</u>               |
| Less: Provision for Doubtful Claims  | 414.80                  | 423.33                      |
|  | -                       | -                           |
|  | <u>2086.63</u>          | <u>-</u>                    |
| *Receivable from Hindustan Motor Finance Corporation Limited towards transfer of Chennai Car Plant pursuant to Business Transfer Agreement (Refer Note 43) |                         |                             |
| <b>E. CURRENT ASSETS</b>   |                         |                             |
| <b>NOTE 16 : INVENTORIES</b>   |                         |                             |
| <b>At lower of cost and net realisable value</b>   |                         |                             |
| Stores and Spares  | 76.84                   | 152.76                      |
| Loose Tools  | 73.82                   | 111.72                      |
| Raw Materials and Components [Including in transit ₹ 5.32 lacs (₹ 78.43 lacs)]   | 579.69                  | 3710.70                     |
| Goods under process *  | 502.04                  | 790.29                      |
| Finished Goods *   | 158.07                  | 2008.45                     |
| Traded Goods [Including in transit ₹ 0.35 lacs (₹ 154.56 lacs)] *  | 127.16                  | 1362.63                     |
|  | <u>1517.62</u>          | <u>8136.55</u>              |
| * Refer Note 25 for break-up.  |                         |                             |

|   | ₹ in lacs               |                             |
|---|-------------------------|-----------------------------|
|   | As at<br>March 31, 2014 | As at<br>September 30, 2013 |
| <b>E. CURRENT ASSETS</b>  |                         |                             |
| <b>NOTE 17 : TRADE RECEIVABLES</b>  |                         |                             |
| <b>Debts outstanding for a period exceeding six months from the date they are due</b> |                         |                             |
| <b>Considered good</b>  |                         |                             |
| Secured   | 27.04                   | 40.39                       |
| Unsecured   | 37.83                   | 100.29                      |
| Considered doubtful-Unsecured   | 18.59                   | 301.83                      |
|   | 83.46                   | 442.51                      |
| Less: Provision for Doubtful Trade Receivables  | 18.59                   | 301.83                      |
|   | <b>64.87</b>            | <b>140.68</b>               |
| <b>Other Debts</b>  |                         |                             |
| Secured   | 16.21                   | 290.57                      |
| Unsecured   | 1730.13                 | 1633.55                     |
|   | 1746.34                 | 1924.12                     |
|   | <b>1811.21</b>          | <b>2064.80</b>              |

**NOTE 18 : CASH AND BANK BALANCES**

**Cash and Cash Equivalents**

|   |       |        |
|---|-------|--------|
| Cash-on-hand  | 2.81  | 1.97   |
| Balances with Banks                                 |       |        |
| Current Account                                     | 73.80 | 700.86 |
| Deposits with original maturity of 3 months or less | -     | 10.00  |
| Unpaid Dividend Account                             | 1.93  | 1.95   |
| Remittances in transit                              | -     | 0.01   |
|   | 75.73 | 712.82 |
|   | 78.54 | 714.79 |

**Other Bank Balances**

|   |              |               |
|---|--------------|---------------|
| Margin Money Deposits   | 10.54        | 10.37         |
| Deposits with original maturity of more than 3 months but less than 12 months | -            | 77.49         |
|   | 10.54        | 87.86         |
|   | <b>89.08</b> | <b>802.65</b> |

|  | As at<br>March 31, 2014 | As at<br>September 30, 2013 |
|--|-------------------------|-----------------------------|
| ₹ in lacs  |                         |                             |
| <b>E. CURRENT ASSETS</b>   |                         |                             |
| <b><u>NOTE 19 : SHORT-TERM LOANS AND ADVANCES</u></b>                                      |                         |                             |
| <b>Unsecured considered good</b>   |                         |                             |
| Advances Recoverable in cash or in kind or for value to be received or pending adjustments | 133.04                  | 450.67                      |
| Sales tax, VAT and other Refunds receivable  | 98.60                   | 548.61                      |
| Balances with Customs, Port Trust & Other Government Departments                           | 64.88                   | 140.24                      |
| Prepaid Expenses   | 38.62                   | 122.00                      |
|  | <u>335.14</u>           | <u>1261.52</u>              |
| <b>Unsecured considered doubtful</b>   |                         |                             |
| Advances Recoverable in cash or in kind or for value to be received or pending adjustments | 53.59                   | 91.56                       |
|  | <u>53.59</u>            | <u>91.56</u>                |
| Less: Provision for Doubtful Loans and Advances  | 53.59                   | 91.56                       |
|  | <u>-</u>                | <u>-</u>                    |
|  | <u>335.14</u>           | <u>1261.52</u>              |
| <b><u>NOTE 20 : OTHER CURRENT ASSETS</u></b>   |                         |                             |
| <b>Unsecured considered good</b>   |                         |                             |
| Interest accrued on Deposits   | 0.22                    | 11.87                       |
| Forward contracts receivable   | -                       | 5.21                        |
| Other Receivables *  | 8541.20                 | -                           |
|  | <u>8541.42</u>          | <u>17.08</u>                |

\* Includes ₹ 8252.27 lacs receivable from Hindustan Motor Finance Corporation Limited towards transfer of Chennai Car Plant pursuant to Business Transfer Agreement (Refer Note 43).

|  | ₹ in lacs               |                          |
|--|-------------------------|--------------------------|
|  | 2013-2014<br>(6 Months) | 2012-2013<br>(18 Months) |
| <b>A. INCOME</b>   |                         |                          |
| <b>NOTE 21 : REVENUE FROM OPERATIONS</b>   |                         |                          |
| Sale of Products (including traded)  |                         |                          |
| Vehicles   | 17899.77                | 77141.59                 |
| Spare Parts of Vehicles  | 3882.97                 | 8749.15                  |
| Steel Products and Components  | 46.93                   | 1253.62                  |
| Job Work Income  | 414.06                  | 383.88                   |
| Other Operating Revenues   | 337.64                  | 682.79                   |
|  | <u>22581.37</u>         | <u>88211.03</u>          |
| <b>Note :</b>  |                         |                          |
| a. Sales includes excise duty, delivery charges and is after adjusting incentives/ discounts.                                  |                         |                          |
| b. Sales is net off sales return during the current period against sales made in earlier years ₹ 110.49 lacs (₹188.51 lacs).   |                         |                          |
| c. Traded goods (Vehicles and Spare parts) have been included above.   |                         |                          |
| <b>NOTE 22 : OTHER INCOME</b>  |                         |                          |
| Interest on Debts, Deposits, Advances etc.   | 16.96                   | 226.76                   |
| Dividend Income on Non Current Investments (Other than Trade)  | -                       | 98.60                    |
| Unspent Liabilities and Provisions no longer required written back   | 273.91                  | 682.99                   |
| Gain on Exchange Rate Difference (Net)   | 281.51                  | -                        |
| Other Non-Operating income   | 46.75                   | 223.71                   |
|  | <u>619.13</u>           | <u>1232.06</u>           |
| <b>B : EXPENSES</b>  |                         |                          |
| <b>NOTE 23 : COST OF RAW MATERIALS AND COMPONENTS CONSUMED</b>   |                         |                          |
| Opening Stock  | 3710.70                 | 3302.26                  |
| Add: Purchases   | 8388.07                 | 43001.31                 |
|  | 12098.77                | 46303.57                 |
| Less: Transferred to Other Expenses  | 3.50                    | 23.69                    |
| Sales  | 0.25                    | 0.31                     |
| Adjustment on account of cessation of subsidiary during the period   | 3.56                    | -                        |
| Stock transferred pursuant to Business Transfer Agreement (Refer Note 43)  | 259.63                  | -                        |
| Closing Stock  | 579.69                  | 3710.70                  |
|  | <u>846.63</u>           | <u>3734.70</u>           |
|  | <u>11252.14</u>         | <u>42568.87</u>          |
| Note : Consumption of Raw Materials and Components includes profit / loss on sale thereof.                                     |                         |                          |
| <b>DETAILS OF RAW MATERIALS AND COMPONENTS CONSUMED</b>  |                         |                          |
| Steel Sheets, Plates and Flat Steel  | 210.26                  | 1297.57                  |
| Bar, Billets, Channels and Angles  | 60.22                   | 1083.81                  |
| Tyres and Tubes  | 277.13                  | 1151.82                  |
| Power Units  | 1767.42                 | 7475.66                  |
| Other Components and Production Stores (including processing charges) (each being less than 10% of total value of consumption) | 8937.11                 | 31560.01                 |
|  | <u>11252.14</u>         | <u>42568.87</u>          |
| <b>NOTE 24 : PURCHASE OF TRADED GOODS</b>  |                         |                          |
| Vehicles   | -                       | 12698.49                 |
| Spare Parts of Vehicles  | 2464.84                 | 5144.51                  |
|  | <u>2464.84</u>          | <u>17843.00</u>          |



|   | ₹ in lacs               |                          |
|---|-------------------------|--------------------------|
|   | 2013-2014<br>(6 Months) | 2012-2013<br>(18 Months) |
| <b>B. EXPENSES</b>  |                         |                          |
| <b>NOTE 25 : DECREASE / (INCREASE) IN STOCKS</b>                                      |                         |                          |
| <b>Closing Stock</b>  |                         |                          |
| Goods under Process   |                         |                          |
| Vehicles  | 374.56                  | 590.50                   |
| Steel Products and Components   | 127.48                  | 199.79                   |
| Finished Goods  |                         |                          |
| Vehicles  | 130.18                  | 1965.16                  |
| Spare Parts of Vehicles   | 27.89                   | 42.59                    |
| Steel Products and Components   | -                       | 0.70                     |
| Traded Goods  |                         |                          |
| Spare Parts of Vehicles   | 127.16                  | 1362.63                  |
|   | <u>787.27</u>           | <u>4161.37</u>           |
| <b>Opening Stock</b>  |                         |                          |
| Goods under Process   |                         |                          |
| Vehicles  | 590.50                  | 547.54                   |
| Steel Products and Components   | 199.79                  | 131.89                   |
| Finished Goods  |                         |                          |
| Vehicles  | 1965.16                 | 445.64                   |
| Spare Parts of Vehicles   | 42.59                   | 41.09                    |
| Steel Products and Components   | 0.70                    | 22.53                    |
| Traded Goods  |                         |                          |
| Vehicles  | -                       | 177.72                   |
| Spare Parts of Vehicles   | 1362.63                 | 1282.72                  |
|   | <u>1362.63</u>          | <u>1460.44</u>           |
|   | 4161.37                 | 2649.13                  |
| Less: Inventories transferred pursuant to Business Transfer Agreement (Refer Note 43) |                         |                          |
| Finished Goods - Vehicles   | 1138.94                 | -                        |
| Traded Goods - Spare Parts of Vehicles  | 974.02                  | -                        |
|   | <u>2048.41</u>          | <u>2649.13</u>           |
|   | <b>1261.14</b>          | <b>(1512.24)</b>         |
| Transferred to tangible fixed assets  | 41.55                   | 63.67                    |
|   | <u><b>1219.59</b></u>   | <u><b>(1575.91)</b></u>  |
| <b>NOTE 26 : EMPLOYEE BENEFITS EXPENSE</b>  |                         |                          |
| Salaries, Wages and Bonus   | 3692.98                 | 11588.85                 |
| Contribution to Provident, Gratuity & Other Funds                                     | 496.98                  | 1381.34                  |
| Welfare Expenses  | 181.73                  | 658.43                   |
|   | <u><b>4371.69</b></u>   | <u><b>13628.62</b></u>   |
| <b>NOTE 27 : FINANCE COSTS</b>  |                         |                          |
| Interest Expense ( Refer Note 41)   | 5611.95                 | 2575.40                  |
| Bank Charges and Others   | 93.47                   | 411.74                   |
|   | <u><b>5705.42</b></u>   | <u><b>2987.14</b></u>    |

|   | ₹ in lacs               |                          |
|---|-------------------------|--------------------------|
|   | 2013-2014<br>(6 Months) | 2012-2013<br>(18 Months) |
| <b>B. EXPENSES</b>  |                         |                          |
| <b><u>NOTE 28 : DEPRECIATION AND AMORTISATION EXPENSE</u></b>                                       |                         |                          |
| On Tangible Assets  | 584.12                  | 1750.00                  |
| On Intangible Assets  | 261.00                  | 452.11                   |
|   | 845.12                  | 2202.11                  |
| Less: Transfer from Revaluation Reserve being<br>Depreciation on revaluation amount of Fixed Assets | 0.04                    | 0.11                     |
|   | <b>845.08</b>           | <b>2202.00</b>           |
| <b><u>NOTE 29 : OTHER EXPENSES</u></b>  |                         |                          |
| Consumption of Stores and Spares  | 290.44                  | 1257.83                  |
| Increase / (Decrease) in Excise duty on Stocks  | (82.52)                 | 415.94                   |
| Fuel and Electricity (Net)  | 652.50                  | 2620.43                  |
| Job work charges  | 367.75                  | -                        |
| Rent and Hire charges   | 48.58                   | 293.41                   |
| Building Repairs  | 12.35                   | 58.79                    |
| Machinery Repairs   | 46.55                   | 278.93                   |
| Insurance   | 23.74                   | 93.70                    |
| Rates and Taxes   | 112.16                  | 283.72                   |
| Royalty   | 31.23                   | 90.13                    |
| Advertising, Selling expenses and Claims (Net)  | 599.68                  | 1065.71                  |
| Delivery Charges, Freight and Transportation  | 28.04                   | 146.88                   |
| Auditors' Remuneration:   |                         |                          |
| As auditor  |                         |                          |
| Audit fee   | 25.06                   | 25.63                    |
| [Including fees to auditor of subsidiary<br>companies ₹ 0.06 lacs (₹ 0.63 lacs)]                    |                         |                          |
| Limited review fee  | 5.00                    | 25.00                    |
| Certification and other services fee  | 10.06                   | 16.39                    |
| Out of pocket expenses  | 2.53                    | 5.52                     |
| In Other capacity   |                         |                          |
| Audit of Tax accounts   | -                       | 7.57                     |
| Tax audit fee   | -                       | 15.00                    |
| Certification and other services fee  | 0.25                    | 2.98                     |
| Exchange Rate Difference (Net)  | -                       | 1671.56                  |
| Directors' Travelling   | 14.36                   | 29.22                    |
| Cost Auditors' Remuneration   | 2.50                    | 4.50                     |
| Legal and Professional Service charges  | 384.47                  | 788.61                   |
| Miscellaneous Expenses  | 547.03                  | 2229.91                  |
| Provision for Doubtful Debts, Claims and Advances   | 38.21                   | 86.86                    |
| Less: Written Back  | 7.03                    | 16.39                    |
| Irrecoverable Debts, Claims and Advances written off  | 606.78                  | 184.82                   |
| Less: Adjusted against Provision  | 359.44                  | 15.62                    |
| Net Loss on Fixed Assets sold / discarded   | 47.52                   | 110.20                   |
|   | <b>3447.80</b>          | <b>11777.23</b>          |
| <b><u>NOTE 30 : EXCEPTIONAL ITEMS</u></b>   |                         |                          |
| Surplus on Sale of Non Current Investments (Other than Trade)                                       | 1569.85                 | 7269.44                  |
| Surplus on sale of Chennai Car Plant pursuant to Business<br>Transfer Agreement (Refer Note 43)     | 8910.28                 | -                        |
|   | <b>10480.13</b>         | <b>7269.44</b>           |

|  | As at<br>March 31, 2014 | ₹ in lacs<br>As at<br>September 30, 2013 |
|--|-------------------------|--|
| 31. Estimated amount of contracts remaining to be executed on capital account and other commitments and not provided for (Net of advances.)  | 0.62                    | 215.21                                   |
| 32. Contingent Liabilities not provided for in respect of :  |                         |  |
| (a) Claims & Government demands against the Company not acknowledged as debts.   |                         |  |
| i) Excise Duty   | 3091.51                 | 3062.13                                  |
| ii) Sales Tax  | 7211.85                 | 3843.80                                  |
| iii) Customs Duty  | 373.50                  | 373.50                                   |
| iv) Service Tax  | 911.83                  | 911.83                                   |
| v) Others  | 737.88                  | 738.59                                   |
| 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 ₹ 384.28 lacs (₹ 454.32 lacs).  |                         |  |
| Included in the above are contingent liabilities to the extent of ₹ 1187.20 lacs (₹ 1187.20 lacs) relating to the pre transfer period of the erstwhile Power Unit Plant and Power Products Division of the Company, which were transferred to AVTEC Limited in June 2005, ₹ 514.74 lacs (₹ 514.74 lacs) relating to the pre-transfer period of the erstwhile Earthmoving Equipment Division of the Company, which was transferred to Caterpillar India Private Limited in February 2001 and ₹ 1526.78 lacs (₹1523.90 lacs) relating to the pre-transfer period of the erstwhile Chennai Car Plant of the Company, which has been transferred to Hindustan Motor Finance Corporation Limited in March 2014 (Refer Note 43). However, demands to the extent of ₹ 667.29 lacs (₹ 667.29 lacs) in case of erstwhile Power Unit Plant are covered by counter guarantees by the customers. |                         |  |
| b) Outstanding Bank Guarantees for import of materials and other accounts.   | 527.42 *                | 528.67                                   |
| * Includes ₹ 110.00 lacs given by the Company to the Customs Department relating to Chennai Car Plant, transferred pursuant to Business Transfer Agreement (Refer Note 43)   |                         |  |
| c) Bonus for the years 1963-64 to 1967-68 at Uttarpara unit which is under adjudication (amount indeterminate). The Company contends that no liability exists in this regard under the Payment of Bonus Act, 1965.   |                         |  |
| d) Demands for incremental Dearness Allowance during the years 2001 to 2007 at Uttarpara Unit are under adjudication (amount not ascertained). However, majority of the employees unions have filed joint petition for withdrawal of the case.   |                         |  |
| e) The Government of West Bengal (GoWB) has alleged that the Company has realized an excess sum of ₹ 19447 lacs from the sale of 314 acres of land at Hindmotor, West Bengal in earlier years and it should refund the said amount along with interest thereon. The Company has been legally advised that there is no liability on the Company to make any payment against the alleged demand. Accordingly, the company has denied and disputed the allegations. Since the contentions of GoWB are being contested by the Company, no provision is considered necessary by the management against the said claim.  |                         |  |

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

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

| ₹ in lacs   |                                 |                                  |
|---|---------------------------------|----------------------------------|
|   | <b>2013-2014<br/>(6 Months)</b> | <b>2012-2013<br/>(18 Months)</b> |
| Profit / (Loss) after tax as per Statement of Profit & Loss         | (205.10)                        | (7347.81)                        |
| Weighted average No. of Equity Shares outstanding during the period | 184771993                       | 183070898                        |
| Weighted number of potential Equity Shares                          | 184771993                       | 184771993                        |
| Nominal value of Shares (₹)   | 5                               | 5                                |
| Basic EPS (₹)   | (0.12)                          | (4.01)                           |
| Diluted EPS (₹)   | (0.12)                          | (4.01)                           |

**34. Movement in Provisions for Warranties is as follows :**

| ₹ in lacs                         |                  |                            |                                |   |                                 |
|-----------------------------------|------------------|----------------------------|--------------------------------|---|---------------------------------|
| <i>As at<br/>October 01, 2013</i> | <b>Additions</b> | <b>Amount<br/>utilised</b> | <b>Amount<br/>written back</b> | <b>Less transferred pursuant to<br/>Business Transfer Agreement<br/>(Refer Note-43)</b> | <b>As at<br/>March 31, 2014</b> |
| 209.04                            | 54.99            | 69.09                      | 22.35                          | 128.85  | 43.74                           |
| (170.15)                          | (222.29)         | (121.88)                   | (61.52)                        | (-)   | (209.04)                        |

**35. Derivative instruments, which are not intended for trading or speculation but hedge for underlying transactions, Forward Exchange contract outstanding as at period end are as follows:**

- (i) JPY / USD of JPY 300.00 lacs (JPY / USD of JPY 430.00 lacs).
- (ii) USD / INR of USD 2.91 lacs (USD / INR of USD 6.55 lacs).

The above forward contracts have been taken to cover the exchange risk on import payment liabilities of the Company.

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

|         |  | ₹ in lacs                       |                                     |
|---------|--|---------------------------------|-------------------------------------|
| Sr. No. | Particulars  | <b>As at<br/>March 31, 2014</b> | <b>As at<br/>September 30, 2013</b> |
| (i)     | Trade Payable for purchase of Goods / Fixed Assets | 1558.07                         | 2311.89                             |
| (ii)    | Short Term - Advance against supplies/others       | -                               | 224.79                              |
| (iii)   | Short Term borrowings - Buyers Credit              | 919.57                          | 2612.54                             |
| (iv)    | Trade Receivables                                  | 10.10                           | -                                   |
| (v)     | Advance against order                              | 4.48                            | -                                   |
| (vi)    | Other Payables                                     | -                               | 14.93                               |

36. 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:

|   | ₹ in lacs                             |  |
|---|---------------------------------------|--|
|   | <b>2013-2014</b><br><b>(6 Months)</b> | <b>2012-2013</b><br><b>(18 Months)</b> |
| (i) Principal amount remaining unpaid to any supplier at the end of accounting period   | 327.31                                | 518.22                                 |
| (ii) Interest due on above  | 20.02                                 | 26.05                                  |
| <b>Total of (i) &amp; (ii)</b>  | <b>347.33</b>                         | <b>544.27</b>                          |
| (iii) Amount of interest paid/adjusted by the Company to the suppliers  | 31.30                                 | 213.14                                 |
| (iv) Amounts paid to the suppliers beyond the respective due date   | 473.19                                | 1639.80                                |
| (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 period  | 448.76                                | 409.85                                 |
| (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. | -                                     | -                                      |

37. **Details of Research costs :**

| Particulars                                   | ₹ in lacs               |                          |                         |                          |
|---|-------------------------|--------------------------|-------------------------|--------------------------|
|   | Capital Expenditure     |                          | Revenue Expenditure     |                          |
|   | 2013-2014<br>(6 Months) | 2012-2013<br>(18 Months) | 2013-2014<br>(6 Months) | 2012-2013<br>(18 Months) |
| Uttarpara Unit (UTP)                          | 0.94                    | 37.28                    | 91.32                   | 371.19                   |
| Chennai Car Plant (CCP) (up to March 29,2014) | -                       | -                        | 11.28                   | 46.99                    |
| Pithampur Plant (PTP)                         | -                       | -                        | -                       | 3.07                     |
|   | <b>0.94</b>             | <b>37.28</b>             | <b>102.60</b>           | <b>421.25</b>            |

38. Disclosure for the period ended March 31, 2014 under Accounting Standard-15 (Revised) on 'Employee Benefits'

|                                     | ₹ in lacs                           |                                      |
|-------------------------------------|-------------------------------------|--------------------------------------|
|                                     | <b>2013-14</b><br><b>(6 Months)</b> | <b>2012-13</b><br><b>(18 Months)</b> |
| <b>A. Defined Contribution Plan</b> |                                     |                                      |
| Contribution to Provident fund      | 274.44                              | 829.48                               |
| Contribution to Superannuation Fund | 11.00                               | 44.88                                |

**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 summarises the components of net benefit expenses recognised in Statement of Profit & Loss account and the funded status and amount recognised in the balance sheet for the respective plan.

| Sl.          | Particulars   | ₹ in lacs   |                |                |                |                |
|--------------|---|---|----------------|----------------|----------------|----------------|
|              |   | 2013-14   | 2012-13        |                |                |                |
|              | <b>Gratuity</b>   |   |                |                |                |                |
| <b>I</b>     | <b>Net Employee Expense / ( Benefit )</b>   |   |                |                |                |                |
| 1            | Current Service Cost  | 68.69   | 212.44         |                |                |                |
| 2            | Interest cost on benefit obligation   | 113.80  | 276.46         |                |                |                |
| 3            | Expected Return on plan assets  | (88.80)   | (244.41)       |                |                |                |
| 4            | Net Actuarial (gain)/loss recognised in the period  | 72.60   | 187.15         |                |                |                |
| 5            | Total employee expenses recognised in Statement of Profit & Loss                                  | 166.29  | 431.64         |                |                |                |
| <b>II</b>    | <b>Actual Return on Plan Assets</b>   | 74.70   | 244.67         |                |                |                |
| <b>III</b>   | <b>Benefit Asset/(Liability)</b>  |   |                |                |                |                |
| 1            | Defined benefit obligation  | 2636.64   | 2765.80        |                |                |                |
| 2            | Fair Value of Plan Assets   | 1757.84   | 2044.47        |                |                |                |
| 3            | Benefit Asset/(Liability)   | (878.80)  | (721.33)       |                |                |                |
| <b>IV</b>    | <b>Movement in Benefit Liability</b>  |   |                |                |                |                |
| 1            | Opening defined benefit obligation  | 2761.90   | 2278.26        |                |                |                |
| 2            | Interest cost   | 113.80  | 276.46         |                |                |                |
| 3            | Current Service Cost  | 68.69   | 212.44         |                |                |                |
| 4            | Benefits paid   | (234.09)  | (219.49)       |                |                |                |
| 5            | Actuarial ( gains ) / losses on obligation  | 58.50   | 218.13         |                |                |                |
| 6            | Transferred pursuant to Business Transfer Agreement (Refer Note 43)                               | (132.16)  | -              |                |                |                |
| 7            | Closing benefit obligation  | 2636.64   | 2765.80        |                |                |                |
| <b>V</b>     | <b>Movement in Fair Value of Plan Assets</b>  |   |                |                |                |                |
| 1            | Opening fair value of plan assets   | 2040.57   | 1917.12        |                |                |                |
| 2            | Expected Return on plan assets  | 88.80   | 244.67         |                |                |                |
| 3            | Contribution by employer  | 2.22  | 71.45          |                |                |                |
| 4            | Benefits paid   | (234.09)  | (219.49)       |                |                |                |
| 5            | Actuarial gains / (losses) on plan assets   | (14.10)   | 30.72          |                |                |                |
| 6            | Transferred pursuant to Business Transfer Agreement (Refer Note 43)                               | (125.56)  | -              |                |                |                |
| 7            | Closing fair value of plan assets   | 1757.84   | 2044.47        |                |                |                |
| <b>VI</b>    | <b>The Principal actuarial assumptions are as follows</b>   |   |                |                |                |                |
| 1            | Discount Rate   | 8.75%   | 8.50%          |                |                |                |
| 2            | Salary increase   | 4.00%   | 4.00%          |                |                |                |
| 3            | Withdrawal Rate   | Varying between 1% & 2% per annum depending upon duration and age of the employees. |                |                |                |                |
| 4            | Expected rate of return on Plan assets  | 8.85%   | 8.50%          |                |                |                |
| <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 years are as follows :</b>                                |   |                |                |                |                |
|              |   | <b>2013-14</b>  | <b>2012-13</b> | <b>2011-12</b> | <b>2010-11</b> | <b>2009-10</b> |
| 1            | Defined benefit obligation  | 2636.64   | 2765.80        | 2278.26        | 2119.19        | 1801.01        |
| 2            | Plan Assets   | 1757.84   | 2044.47        | 1917.12        | 1794.48        | 1703.36        |
| 3            | Surplus / (Deficit)   | (878.80)  | (721.33)       | (361.14)       | (324.71)       | (97.65)        |

**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 Company expects to contribute ₹ 74.70 lacs (₹ 90.00 lacs) to Gratuity fund for 2014-15.  
c) Experience adjustment on plan assets & liabilities has been considered in the valuation report as certified by the actuary, which is not readily available and hence not disclosed separately.  
d) All the employees of Chennai Car Plant was transferred to HMFCL on the date of working arrangement effective from February 12, 2014 as referred in Note 43 below.

39. **Related Party Disclosures :**

(a) **Name of the related parties :**

Associate Company                      HM Export Limited. (Ceased to be associate w.e.f. December 12, 2013)  
Hindustan Motor Finance Corporation Limited. (HMFCL) (Became associate w.e.f. December 12, 2013 and ceased to be associate w.e.f. March 25, 2014)

Key Management Personnel    Mr. Uttam Bose, Managing Director (up to May 9, 2014)

- (b) Aggregated Related Party Disclosures as at and for the period ended March 31, 2014 are as follows.  
(Transactions have taken place on arm's length basis)

₹ in lacs

| Nature of Transactions                          | Associate Companies |                |                 | Key Managerial Personnel | Total               |
|---|---------------------|----------------|-----------------|--------------------------|---------------------|
|   | AVTEC               | HMFC ##        | HME             |                          |                     |
| Sales of Products                               | -<br>(493.60)       | 1120.10<br>(-) | -<br>(-)        | -<br>(-)                 | 1120.10<br>(493.60) |
| Purchase  | -<br>(2743.52)      | -<br>(-)       | -<br>(-)        | -<br>(-)                 | -<br>(2743.52)      |
| Job Work Expenses                               | -<br>(-)            | 326.34<br>(-)  | -<br>(-)        | -<br>(-)                 | 326.34<br>(-)       |
| Facility Income                                 | -<br>(-)            | 124.17<br>(-)  | -<br>(-)        | -<br>(-)                 | 124.17<br>(-)       |
| Professional & Consultancy Expenses             | -<br>(-)            | 61.58<br>(-)   | -<br>(-)        | -<br>(-)                 | 61.58<br>(-)        |
| Rent and Hire Charges Paid                      | -<br>(12.19)        | -<br>(-)       | -<br>(-)        | -<br>(-)                 | -<br>(12.19)        |
| Advertisement, Selling Expenses and Claims      | -<br>(-14.97)       | -<br>(-)       | -<br>(-)        | -<br>(-)                 | -<br>(-14.97)       |
| Miscellaneous Expenses                          | -<br>(19.10)        | -<br>(-)       | -<br>(-)        | -<br>(-)                 | -<br>(19.10)        |
| Reimbursement of Expenses                       | -<br>(-)            | 78.71<br>(-)   | -<br>(-)        | -<br>(-)                 | 78.71<br>(-)        |
| Salaries, Allowances, Provident Fund and Others | -<br>(-)            | -<br>(-)       | -<br>(-)        | 92.19<br>(292.04)        | 92.19<br>(292.04)   |
| Finance Cost                                    | -<br>(7.41)         | 15.52<br>(-)   | 11.17<br>(0.78) | -<br>(-)                 | 26.69<br>(8.19)     |
| <b>Balance Outstanding at Period end</b>        |                     |                |                 |                          |                     |
| Short term Unsecured Borrowings                 | -<br>(-)            | -<br>(-)       | -<br>(515.00)   | -<br>(-)                 | -<br>(515.00)       |
| Non-Current Investments                         | -<br>(-)            | -<br>(-)       | -<br>(1805.77)  | -<br>(-)                 | -<br>(1805.77)      |

- # # Also refer Note 43 relating to sale of Chennai Car Plant to HMFCL pursuant to Business Transfer Agreement.  
40. As the Company's business activity falls within a single primary business segment viz, "Automobiles" and there is no reportable secondary segment i.e. geographical segment, the disclosure requirement of Accounting Standard-17 "Segment Reporting" as notified by Companies (Accounting Standards) Rules, 2006 (as amended) is not applicable.



41. Corporate Debt Restructuring Empowered Group (CDR EG) in their meeting held on 28th June, 2014 have quantified the claim of recompense of interest at ₹ 6766 lacs in view of proposed exit of the Company from CDR. The Company has provided an amount of ₹ 4948 lacs in the current period towards additional liability after considering past payments in earlier years, which will be paid to the lenders as under :
- (a) Payment of ₹ 640 lacs.
  - (b) Issuance of Non-convertible Debentures (NCDs) /Bonds of ₹ 2053 lacs carrying simple interest of 10.25% per annum redeemable in 3 years in 3 equal instalments along with interest.
  - (c) Issuance of Equity Shares aggregating ₹ 2255 lacs. The equity shares shall carry face value of ₹ 5 each per share. The allotment price of equity shares to be determined in accordance with the SEBI Guidelines.

42. The operating results have been adversely affected due to adverse market conditions and the accumulated losses of the Company as at March 31, 2014 stand at ₹ 15199.83 lacs as against the share capital of ₹ 9247.08 lacs. Also, the current liabilities as at March 31, 2014 exceed current assets by ₹ 8771.08 lacs. The Company has made reference to the Board for Industrial and Financial Reconstruction (BIFR) under Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985, which has been registered by BIFR. The Company has sold its Chennai Plant on March 30, 2014 (refer Note 43 below) and has also declared suspension of work at its Uttarpara Plant with effect from May 24, 2014 due to low productivity, growing indiscipline, shortage of funds and lack of demand of products. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern, which is dependent on the Company establishing profitable operations and sustainable cash flows.

The Management is in the process of restructuring the operations and have hired a consultant to give an external perspective on the challenges and possible solutions at the Uttarpara Plant. The Management is confident that these measures are expected to result in sustainable cash flows and accordingly, the Company continues to prepare its accounts on a "Going Concern" basis.

43. The Board of Directors at their meeting held on December 26, 2013 approved withdrawal of the scheme of arrangement for demerger of the Chennai Car Plant (CCP) and decided to divest CCP as a going concern. Pending necessary approvals and consents for divestment, a working arrangement was entered into with Hindustan Motor Finance Corporation Limited (HMFCL) dated January 05, 2014, as amended, to run the operations of CCP with a right to HMFCL to purchase CCP as going concern at a price to be determined by the valuer appointed jointly by HMFCL and the Company. The working arrangement was made effective from February 12, 2014 after obtaining necessary approvals for this arrangement. Subsequently, HMFCL exercised the right of purchase and entered into a Business Transfer Agreement (BTA) dated February 14, 2014 with the Company to purchase CCP as a going concern.

Pursuant to the said BTA, as amended, the possession of all Immovable & Movable assets and net current assets relating to CCP, excluding certain liabilities as specified in the BTA, has been handed over to HMFCL on March 30, 2014 as a going concern at a total consideration of ₹ 15453.81 lacs and the resulting gain of ₹ 8910.28 lacs arising thereon has been reflected in the accounts as 'exceptional gain'. The outstanding receivable from HMFCL of ₹ 10338.90 lacs as at the balance sheet date after adjusting the payment already received and liabilities of ₹ 2864.91 lacs taken over by HMFCL, has been disclosed under "Other Current and Non- Current Assets " based on mutually agreed instalments receivable within a period of 2 years.

The Company has applied to Government of Tamil Nadu for approval of transfer of the land at Tiruvallur District to HMFCL. The Company has received a letter dated July 15, 2014 issued by The Revenue Divisional Officer (RDO), Tiruvallur wherein RDO has recommended to The District Revenue Officer, Tiruvallur the transfer of land in favour of HMFCL with the condition that the conditions specified originally in the assignment deed be adhered.

44. The following Statement shows the Revenue and Expenses of Discontinued operations i.e. Chennai Car Plant of the Company which has been transferred during the period to Hindustan Motor Finance Corporation Limited pursuant to Business Transfer Agreement (Refer Note 43).

| ₹ in lacs |   |                                      |  |
|-----------|---|--------------------------------------|--|
|           | Particulars                                   | October 1, 2013 to<br>March 29, 2014 | April 1, 2012 to<br>September 30, 2013 |
| <b>A</b>  | <b>INCOME</b>                                 |                                      |  |
|           | Revenue from Operations (Gross)               | 16458.20                             | 62857.93                               |
|           | Less : Excise duty                            | 3206.00                              | 11090.09                               |
|           | Revenue from Operations (Net)                 | 13252.20                             | 51767.84                               |
|           | Other Income                                  | 327.51                               | 442.19                                 |
|           |   | <b>13579.71</b>                      | <b>52210.03</b>                        |
| <b>B</b>  | <b>EXPENSES</b>                               |                                      |  |
|           | Cost of Raw materials and components consumed | 8379.73                              | 27811.00                               |
|           | Purchase of Traded Goods                      | 1958.48                              | 15417.08                               |
|           | Decrease / (Increase) in Stocks               | (165.65)                             | (552.47)                               |
|           | Employee Benefits Expense                     | 757.39                               | 3344.84                                |
|           | Finance Costs                                 | 201.74                               | 944.60                                 |
|           | Depreciation and Amortisation Expense         | 591.27                               | 1608.32                                |
|           | Other Expenses                                | 2059.54                              | 5970.29                                |
|           |   | <b>13782.50</b>                      | <b>54543.66</b>                        |
|           | Profit/(Loss) before Tax                      | (202.79)                             | (2333.63)                              |
|           | Tax Expense                                   | -                                    | (542.44)                               |
|           | <b>Profit/(Loss) after Tax</b>                | <b>(202.79)</b>                      | <b>(1791.19)</b>                       |

The carrying amounts of the total assets and liabilities of Chennai Car Plant are as given below :

| ₹ in lacs   |                         |                             |
|---|-------------------------|-----------------------------|
|   | As at<br>March 29, 2014 | As at<br>September 30, 2013 |
| Total assets (Excluding revaluation reserve)      | 11440.37                | 15226.24                    |
| Total liabilities (Excluding revaluation reserve) | 4896.84                 | 11018.82                    |
| <b>Net assets</b>                                 | <b>6543.53</b>          | <b>4207.42</b>              |

The net cash flows attributable to the Chennai Car Plant are as given below:

| ₹ in lacs                            |                                      |  |
|--------------------------------------|--------------------------------------|--|
|                                      | October 1, 2013 to<br>March 29, 2014 | April 1, 2012 to<br>September 30, 2013 |
| Operating activities                 | 1691.66                              | (2560.42)                              |
| Investing activities                 | (217.27)                             | (1041.43)                              |
| Financing activities                 | (1627.99)                            | 3380.15                                |
| <b>Net cash inflows / (outflows)</b> | <b>(153.60)</b>                      | <b>(221.70)</b>                        |

45. (a) On December 12, 2013, Hindustan Motor Finance Corporation Limited (HMFCL) issued and allotted 5,00,000 equity shares to entities outside the group. Consequently, the Company's holding in equity shares of HMFCL reduced to 50%. Accordingly, HMFCL ceased to be a subsidiary company w.e.f. December 12, 2013 and became an associate. Subsequently, the Company sold its entire investment in HMFCL on March 25, 2014 at a consideration of ₹ 250 lacs and it ceased to be an associate from the said date. Gain on disposal of such investment of ₹ 224.95 lacs has been included in "Surplus on sale of Non Current Investments (Other than Trade)" under the head Exceptional items.

- (b) The effect of Hindustan Motor Finance Corporation Limited ceasing to be a subsidiary company on December 12, 2013 on the Consolidated Assets and Liabilities of the Group is as follows:

| Description | Decrease (₹ in lacs) |
|-------------|----------------------|
| Assets      | 3283.14              |
| Liabilities | 2282.87              |

46. In terms of exemption granted by the Ministry of Corporate Affairs (MCA) regarding attachment of financial statements of its subsidiary company vide its circular dated February 8, 2011, following information has been given for Hindustan Motors Limited, USA, the subsidiary company.

| Particulars                     | ₹ in lacs             |
|---------------------------------|-----------------------|
| Capital                         | 158.64<br>(158.64)    |
| Reserves                        | - 319.19<br>(-326.55) |
| Total assets                    | 8.37<br>(8.75)        |
| Total liabilities               | 168.92<br>(176.66)    |
| Investments                     | -<br>(-)              |
| Turnover including other income | -<br>(-)              |
| Profit before tax               | -<br>(-)              |
| Provision for tax               | -<br>(-)              |
| Profit after tax                | -<br>(-)              |
| Proposed Dividend               | -<br>(-)              |

Note : Hindustan Motor Finance Corporation Limited ceased to be subsidiary w.e.f. December 12, 2013.

47. The financial year 2012-13 of the Company was extended by six months till September 30, 2013. Consequently, the Company has changed the financial year 2013-14 to end on March 31, 2014. Hence the current period's figures in the Statement of Profit & Loss for 6 months are not comparable with the previous period's figures of 18 months.
48. Previous year's figures have been regrouped / rearranged wherever necessary.

As per our report of even date.

For **S.R. Batliboi & Co. LLP**  
Chartered Accountants  
ICAI Firm Registration Number : 301003E

Per **Raj Agrawal**  
Partner  
Membership No.: 82028  
Place: Kolkata  
Date : August 05, 2014

**Tarun Kumar Kabra**  
Company Secretary

**Aniruddha Sarkar**  
Chief Financial Officer and  
Head Legal

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

**A. Sankaranarayanan**  
Director

**Uttam Bose**  
Director



# HINDUSTAN MOTORS LIMITED

CIN : L34103WB1942PLC018967

Regd. Office: "Birla Building", 14th Floor, 9/1, R. N. Mukherjee Road, Kolkata - 700 001

T : +91 033 22420932 | T : +91 033 30573700 | T : +91 033 30410900 | F : +91 033 22480055

hmcosecy@hindmotor.com | www.hindmotor.com

**PROXY FORM**

[ Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014 ]

|                         |  |      |  |
|-------------------------|--|------|--|
| Name of the member(s) : |  |      |  |
| Registered address :    |  |      |  |
| E-mail Id :             |  |      |  |
| Folio No./Client Id :   |  | DPID |  |

I/We, being the member(s) of ..... shares of abovenamed Company hereby appoint :

- (1) Name ..... Address .....
- E-mail Id ..... Signature ..... or failing him/her;
- (2) Name ..... Address .....
- E-mail Id ..... Signature ..... or failing him/her;
- (3) Name ..... Address .....
- E-mail Id ..... Signature .....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the **72nd Annual General Meeting of the Company, to be held on Thursday, the 25th day of September, 2014 at 11.15 a.m.** at Rotary Sadan, 94/2, Chowringhee Road, Kolkata-700 020 and at any adjournment thereof in respect of such resolutions as are indicated below :

| Resolution Number        | Description   |
|--------------------------|---|
| <b>Ordinary Business</b> |   |
| 1.                       | Adoption of Audited Statements of Account together with Directors' Report and Auditors' Report thereon for the six month period ended 31st March, 2014  |
| 2.                       | Appointment of Shri A. Sankaranarayanan (DIN-00385632) as Director, who retires by rotation and being eligible offers himself for re-appointment        |
| 3.                       | Appointment of Messrs. Ray & Ray, Chartered Accountants (Registration No.301072E) as Auditors of the Company  |
| <b>Special Business</b>  |   |
| 4.                       | Appointment of Shri Raj Kamal Johri (DIN-06804524) as an Independent Director of the Company  |
| 5.                       | Appointment of Shri Sanjay Basu (DIN-01225331) as an Independent Director of the Company  |
| 6.                       | Appointment of Shri Uttam Bose (DIN-02340000) as a Director of the Company whose office shall be liable to retire by rotation                           |
| 7.                       | Authorizing Board of Directors of the Company under Section 180(1)(c) of the Companies Act, 2013 to borrow money  |
| 8.                       | Authorizing Board of Directors of the Company under Section 180(1)(a) of the Companies Act, 2013 to create Mortgage/Charge on the assets of the Company |
| 9.                       | Appointment of Shri Moley Chowdhury as Manager of the Company for a period of two years with effect from 10th May, 2014                                 |
| 10.                      | Issuance of Equity Shares on preferential basis   |
| 11.                      | Issuance of Secured Non-Convertible Debentures  |

Signed this ..... day of ..... 2014

Signature of Shareholder (s) .....

Signature of Proxy holder(s) .....

Affix  
Re. 1/-  
Revenue  
Stamp

**Note :** This form of proxy in order to be effective, should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.



**ATTENDANCE SLIP**

**HINDUSTAN MOTORS LIMITED**

CIN : L34103WB1942PLC018967

Regd. Office: "Birla Building", 14th Floor, 9/1, R. N. Mukherjee Road, Kolkata - 700 001

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hmcosecy@hindmotor.com | www.hindmotor.com

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

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|               |  |
|---------------|--|
| Folio No.     |  |
| DP ID         |  |
| Client ID     |  |
| No. of Shares |  |

I hereby record my presence at the **72nd Annual General Meeting** of the Company held on Thursday, the 25th day of September, 2014 at 11.15 a.m. at Rotary Sadan, 94/2, Chowringhee Road, Kolkata-700020.

.....

Signature Of The Shareholder Or Proxy\*

\*Strike out whichever is not applicable.





*if undelivered please return to :*



Hindustan  
Motors  
Limited

"Birla Building", 14th Floor  
9/1, R.N. Mukherjee Road, Kolkata 700 001