

Annual
Report
and
Accounts
2003-2004



Hindustan Motors Limited

HINDUSTAN MOTORS LIMITED

ANNUAL REPORT

Year Ended March 31, 2004

Board of Directors

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

Company Secretary

Shri G. N. Pareek

Bankers

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

Auditors

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

Share Transfer Agents

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

Registered Office

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

CONTENTS

| | |
|--|----|
| Report of the Directors | 2 |
| Management Discussion & Analysis | 4 |
| Report on Corporate Governance | 6 |
| Auditors' Report | 23 |
| Balance Sheet | 28 |
| Profit & Loss Account | 29 |
| Cash Flow Statement | 30 |
| Schedules to Accounts | 31 |
| Statement u/s. 212 | 56 |
| Hindustan Motor Finance Corpn. Limited | 57 |
| HM Export Limited | 74 |
| Hindustan Motors Limited, USA | 88 |
| Consolidated Accounts | 91 |

Directors' Report to the Shareholders

Your Directors present their Sixty-second Annual Report together with the audited accounts of the Company for the year ended March 31, 2004.

Financial results

The Company's performance during the year was affected due to lower volume of sales of vehicles. The net loss for the year under review (after taking credit for deferred tax of Rs. 1905 lacs) has increased to Rs. 80.95 Crs. compared to Rs. 26.74 Crs. in the previous financial year. The following table gives the summary of financial performance.

| | <i>(Rupees in Crores)</i> | |
|--|---------------------------|----------------|
| | <u>2003-04</u> | <u>2002-03</u> |
| Gross Sales and Services | 858.88 | 1074.73 |
| Profit / (Loss) before Interest, Depreciation and Taxes | (3.36) | 56.08 |
| Interest | 55.35 | 54.86 |
| Depreciation | 41.20 | 41.64 |
| Loss before taxes | 99.91 | 40.42 |
| Tax adjustment (including Deferred Tax credit) | (18.96) | (13.68) |
| Loss after taxation | 80.95 | 26.74 |

Net Deferred Tax Asset of Rs. 19.05 Crores arisen upto 30th September 2003 has been credited to Profit & Loss Account. The Company is examining the business restructuring possibilities and accordingly no further credit has been taken for Deferred Tax Asset for the second half of the year.

After taking into account, the brought forward debit balance of Rs.24.14 Crs. in the Profit & Loss Account, there is a debit balance of Rs. 105.08 Crs., which is carried forward.

Review of Operations

Automobiles

The Company introduced two new variants of Ambassador during the year — Grand and Avigo. These were well received in the market. A new version of Lancer with 1.8 Litre petrol engine as well as automatic transmission was launched, branded as "Lancer Invex" towards the end of the year. Further there was stoppage in the production of Isuzu petrol engines for about two and a half months due to the strike at one of the component supplier's factory. This affected the sales of Ambassador cars. In the midsize premium car

segment, where Lancer car competes, certain new models were introduced during the year. The Company has taken the initiative to launch the Lancer with 1.8 Litre engine. Total sales of vehicles during the year under review were 16504 numbers against 21050 numbers in the previous year.

Supply of power units to other manufacturers

The Company continued to supply power units consisting of engines and transmissions to Ford India Ltd. (FIL). Towards the end of the year, the Company commenced supply of engines and transmissions to General Motors India Ltd. (GMI). The Company also supplied gearboxes to Mahindra & Mahindra Ltd. (M&M) for use in their utility vehicles. Such arrangement for supplies of engines and transmissions should generate additional revenue and profit in the coming years.

Power Products Division

During the year, there was an increase in the sale of off-highway transmissions (including traded transmission) to 834 nos. from 609 nos. in the previous year. This was mainly due to increased off-take by earthmoving and construction equipment manufacturers. It is expected that this trend will continue. As indicated in the last year's report, this division commenced export of transmission components to Allison Transmission Division of General Motors, USA. It is expected that the volume of this export will gradually increase in the years.

Other matters

The Company's Power Unit Plant at Pithampur near Indore received the TPM Award for excellence from Japanese Institute of Plant Management. The Company also set up a subsidiary in USA for promoting the business and for rendering certain services in connection with the business of Remote Services Division of the Company, which is registered as a Software Technology Park at Chennai.

Industrial Relations

Industrial relations remained cordial and satisfactory. A wage agreement was signed with the unionized employees for the Lancer Car Plant. The Company continues to improve employee skills and productivity through appropriate training programme.

Statutory Declaration

The auditors have referred to certain points in their audit report. The Company's accounting policies with respect to the matters such as accounting for retirement benefits and

valuation of inventory and the reasons thereof are explained in the Notes schedule to the accounts in paragraphs 6(a) to 6(d) and the Company has been following the same policies in the previous years also.

As regards the accounting for deferred taxes, the Company proposes to take some steps and is confident of better results in the years to come and has accordingly accounted for the deferred tax asset, in view of carried forward business losses and the tax benefits arising therefrom in future years.

In terms of the requirement of Section 217 of the Companies Act, 1956, a Directors' responsibility statement is given in the Annexure 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 in the Annexure to this report.

Additional information relating to conservation of energy, technology absorption, foreign exchange earnings and outgo as required under sub-section (1)(e) of the same said Section read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 has also been given in the Annexure to this report.

A cash flow statement for the year 2003-04 is attached to the enclosed Annual Accounts.

Corporate Governance

A separate section on Corporate Governance is attached and marked as Annexure 2. The certificate from the Company's auditors confirming compliance by the Company of the norms of Corporate Governance as stipulated in Clause 59 of the listing agreement with Stock Exchanges is also annexed.

Auditors

The observations made by the auditors in their report are self-explanatory. The relevant notes to the accounts also clarify the points referred to by the Auditors. There are, therefore, no further comments necessary under Section 217A(3) of the Companies Act, 1956. Your Directors request you to reappoint auditors for another term of one year beginning from the conclusion of the ensuing Annual General Meeting till the conclusion of the following Annual General Meeting and approve their remuneration as specified in the

concerned resolution attached to the notice convening the Annual General Meeting.

Subsidiary Companies

The latest accounts of the subsidiary companies, namely, Hindustan Motor Finance Corporation Limited, HM Export Limited and Hindustan Motors Ltd., USA are annexed.

Directors

During the year under review, Sri S.C. Jain was nominated as a Director w.e.f. 15th December, 2003 to fill in the casual vacancy caused by withdrawal of nomination of Sri Kranti Sinha by LIC as its nominee on Company's Board. Sri Sinha was appointed as an Additional Director w.e.f. 15th December, 2003 in his individual capacity and accordingly vacates his office at the ensuing Annual General Meeting. Sri Naresh Chandra who was co-opted as a Director w.e.f. 24th July, 2002 to fill in the casual vacancy caused by resignation of Sri G.D. Kothari will vacate office at the close of ensuing Annual General Meeting. Sri Pradip Kumar Khaitan and Dr. Anand C. Burman retire by rotation and being eligible offer themselves for reappointment. Mr. B.K. Chaturvedi, the Executive Director of the Company resigned with effect from 2nd April, 2004 and Mr. A. Sankaranarayanan has retired as the Managing Director of the Company with effect from the conclusion of the Board meeting held on 24th May, 2004 and in his place Mr. R. Santhanam has been appointed as the Managing Director of the Company also with effect from the conclusion of the Board meeting held on 24th May, 2004.

Appreciation

Your Directors wish to acknowledge and thank the Central and State Governments for their support and guidance. Your Directors also thank the shareholders, customers, business associates, financial institutions and commercial banks for the faith reposed by them in your Company and its Management. Your Directors also place on record their deep sense of the appreciation for dedication and commitment of the employees of your Company. They have been and continue to be instrumental in laying down Company's future plans and policies.

For and on behalf of the Board of Directors

Annexure-1 to the Directors' Report

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

Industry structure and development

During the year under review, there was an improvement in the overall economy and the GDP has registered a growth rate of around 8.1% as indicated in the monetary policy of RBI. The index of industrial production also increased by 6.6% compared to 5.8% in the previous year. The Company is mainly in automobile business. The demand for passenger vehicles in the aggregate registered a growth rate of 27.4% as per details given below.

| | 2002-03 | 2003-04 | % increase |
|--------------------------|---------|---------|------------|
| Passenger cars | 541491 | 696207 | 28.6 |
| Utility vehicles | 113620 | 144981 | 27.6 |
| Multi-purpose vehicles | 52087 | 59564 | 14.4 |
| Total passenger vehicles | 707198 | 900752 | 27.4 |

Source – Society of Indian Automobile Manufacturers – Flash Report – March 2004

While the overall demand for passenger cars increased significantly, the intensity of competition also increased with entry of new players and new models. Responding to the challenge the Company launched the Ambassador Grand, which was well received in the market. Since this was launched in the later part of the year, the brand suffered volume losses in the first half of the year. Lancer car competes in the mid size premium category. A number of new models were launched in this category. In response to this, the Company launched Lancer with a 1.8 Litre engine and an automatic transmission in February'04. Consequent to the above, total sales of vehicles by the Company declined from 21050 nos. in the previous year to 16504 nos. in the current year.

The demand for off-highway automatic transmissions manufactured by the Hosur plant of the Company increased from 609 units to 834 units (including traded transmissions), mainly due to the increased off-take by the earthmoving and construction equipment manufacturers. It is expected that the demand will continue to increase for these transmissions with the expected focus on infrastructure building activities.

Opportunities and threats

Tourism Industry has registered a noticeable improvement and this trend is expected to continue in the near future. This should result in increased demand for cars from fleet operators. The overall corporate performance has been good and this should result in increased purchase of vehicles by companies, including public sector undertakings, either for replacement

or for augmentation. Purchases by Government departments are also likely to be higher. The Company has also introduced two new variants of Ambassador – 'Grand' and 'Avigo', which have revived the interest of individual user segment. These factors would help in increased sales of Ambassador cars. The Company is also taking necessary steps to make the engines comply with Bharat Stage III emission norms, much before the dead line.

The demand for mid size premium cars has been increasing. The Company has taken steps towards the end of the year to introduce a new variant with 1.8 Litre engine and automatic transmission. The Company is also in discussions with Mitsubishi Motors for possible introduction of new models.

Recently, the Company has launched a new variant of the utility vehicle – RTV with a wider axle base under the brand name 'Cosmo'. The other utility vehicle, "Trekker" has also been modified with a full metal body for improved passenger safety. The total market for hard top vehicles is much higher than for soft top vehicles. Hence with the launch of this hard top version, the sales volume is expected to increase.

The threat of intense competition in the car industry is likely to remain. Hence, as a part of its business strategy, the Company is focusing on supply of engines and transmissions to other manufacturers from its plant at Pithampur, Indore. Supplies are already made to Ford India Limited, Mahindra & Mahindra Limited. Recently, supplies of engines and transmissions have also commenced to General Motors India Limited. This division is also looking for suitable export opportunities for components. It is expected that this division will register a steady growth over the next few years.

The demand from construction and earthmoving equipment manufacturers for the automatic transmissions manufactured at the Hosur plant is likely to be higher. This plant has also exported transmission components for about Rs. 4 Crs. to its collaborator, Allison Transmission Division of General Motors, USA.

The Company also set up "Remote Services Division" at Chennai as a Software Technology Park towards the end of the financial year 2002-03. This unit has executed certain trial orders and has established contacts with prospective clients. The potential for engineering design management related software business is a fairly large size industry in Europe and USA. It is expected that with the availability of skilled engineers

and cost competitiveness in India, the volume of business of this division should be significant in the coming years.

Financial performance

Total turnover of the Company came down from Rs. 1075 Crs. in 2002-03 to Rs. 859 Crs. in 2003-04. This was mainly on account of reduced sales of passenger vehicles. The operating profit before interest and depreciation has come down to a negative figure of Rs. 3.36 Crs. compared to Rs. 56.08 Crs. in the previous year. While the interest rates on some of the loans were reduced, the Company had to resort to additional borrowing to tide over the situation. Hence, the total interest burden has gone up marginally to Rs. 55.35 Crs. compared to Rs. 54.86 Crs. in the previous year. The Company is basically operating in two segments i.e. Automobiles and Automatic Transmission for off-highway equipment. In terms of the requirement of the Accounting Standard, segment-wise results are disclosed in the Notes schedule to the accounts. The Automatic Transmission business continues to be profitable.

Risks and concerns

In the normal course of business, the Company is exposed to demand fluctuations for its products, internal risks such as variations in operational efficiency and external business risks. External business risks are in the nature of cyclical demand fluctuations, increased competitive pressure, regulatory and environmental laws. The Company is also exposed to financial risks in the form of foreign exchange fluctuations and interest rates variations.

The Company is attempting to guard itself against these risks by appropriate product positioning strategy, product improvements and performance measurement system for operational efficiency. The Company adopts a strategic business planning model along with annual budgets, periodic review meetings and action plans for identified areas to improve the overall performance.

Internal Control Systems and their adequacy

The Company has established internal control systems, which provide reasonable assurance with regard to safeguarding of

the Company's assets, promoting operational efficiency and ensuring compliance with various statutory 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 placed before the Audit Committee of the Directors. The statutory auditors also review their findings with the senior management and the Audit Committee.

Outlook for the year 2004-05

As explained earlier, apart from being an automobile manufacturer, the Company has been making efforts to supply power units to other manufacturers. The Company expects to grow substantially in this line of business in the coming year. As the overall economic situation continues to be satisfactory, demand for passenger cars is expected to register a growth of at least 10-15% in this year. These factors coupled with increased tourism business is expected to result in higher sales of Ambassador cars. By continuously upgrading the product, the Company expects to sell higher number of Lancer cars in this year. Substantial thrust is being given to dealer development activities so as to strengthen the distribution channel. The Company is also focusing on semi-urban areas and rural areas to augment the sales of vehicles. The Company continues to focus on cost reduction efforts and improvements in operational efficiency as well as value engineering activities.

Human resource and industrial relations

The Company has been implementing an integrated performance management system through which the objectives and key action plans of all senior level employees are synchronized with those of the concerned business unit. The Company is also attempting to differentiate the better performing employees by appropriate remuneration package. The Company continues to adopt a suitable system of executive profiling for the purpose of developing the individuals, identifying the training needs, succession planning and for job rotation opportunities. In order to remain competitive, the Company continues to focus on manpower rationalization efforts from time to time.

For and on behalf of the Board of Directors

Annexure - 2 to the Directors' Report

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on Corporate Governance

Your Company has implemented and continuously strives to improve the Corporate Governance practices which attempt to meet stakeholders' expectations and Company's societal commitments through high standards of ethics, sound business decisions, prudent financial management practices, professionalism in decision making and conducting the business and finally with strict compliance with regulatory guidelines on governance.

2. Board of Directors

(a) Composition of Board

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

| Name of Directors | Category | No. of other Directorships | No. of other Board Committee(s) of which he is a member | No. of other Board Committee(s) of which he is a Chairperson |
|---------------------------|---|-----------------------------------|--|---|
| Shri C K Birla – Chairman | Promoter – Non Executive | 13 | - | - |
| Shri Pradip Kumar Khaitan | Independent – Non Executive | 11 | 4 | 2 |
| Shri A Sankaranarayanan * | Independent – Non Executive | 4 | 1 | - |
| Dr. Anand C Burman | Independent – Non-Executive | 9 | - | - |
| Shri Kranti Sinha ** | Independent – Non-Executive | 3 | 2 | 1 |
| Shri A Karati | Independent – Non-Executive (<i>ICICI Nominee</i>) | 7 | 2 | 1 |
| Shri R. Santhanam * | Managing Director | - | - | - |
| Shri Naresh Chandra | Independent – Non-Executive | 9 | 7 | - |
| Shri R. Vasudevan | Independent – Non-Executive (<i>IDBI Nominee</i>) | 7 | 3 | 1 |
| Shri S. C. Jain ** | Independent – Non-Executive (<i>LIC Nominee</i>) | - | - | - |

* Shri A. Sankaranarayanan has retired from the services with effect from conclusion of Board Meeting of the Company held on 24.5.2004 and was appointed as an Additional Non-Executive Director. To fill in the resultant vacancy Shri R. Santhanam has been appointed as Managing Director in the same meeting.

** During the year 2003-04 Shri Kranti Sinha had ceased to be a Nominee Director of LIC but was reappointed as Director in his individual capacity both w.e.f. 15.12.2003 and Shri S.C. Jain was appointed as Director w.e.f. 15.12.2003 as a nominee of LIC.

Shri B K Chaturvedi, Executive Director of the Company, resigned from the services of the Company with effect from 2nd April, 2004.

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

(b) **Board Meetings**

During the financial year 2003-04, seven meetings of the Board of Directors were held on 19th May 2003, 30th July 2003, 21st August 2003, 28th October 2003, 15th and 24th December 2003, and 29th January 2004. The attendance of the Directors in these meetings was as follows :

| Name of the Director | Board Meetings | | Last Annual General Meeting |
|---|----------------|----------|-----------------------------|
| | Held | Attended | If Attended |
| Shri C K Birla | 7 | 7 | Yes |
| Shri Pradip Kumar Khaitan | 7 | 5 | Yes |
| Shri A. Sankaranarayanan | 7 | 7 | Yes |
| Dr. Anand C Burman | 7 | 1 | No |
| Shri Kranti Sinha | 7 | 5 | Yes |
| Shri A Karati | 7 | 3 | Yes |
| Shri B K Chaturvedi | 7 | 5 | Yes |
| Shri Naresh Chandra | 7 | 7 | Yes |
| Shri R Vasudevan | 7 | 6 | Yes |
| Shri S C Jain (LIC Nominee w.e.f. 15.12.03) | 3 | 2 | N.A. |

3. **Audit Committee**

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

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

- Shri Naresh Chandra, *Chairman*
- Shri Kranti Sinha
- Shri A. Karati
- Shri R. Vasudevan
- Shri S. C. Jain (nominated on 24.05.2004)
- All the members are Non-Executive and Independent Directors. Three of the members are nominees of Financial Institutions.
- During the financial year 2003-04 Shri A Sankaranarayanan and Shri B K Chaturvedi ceased to be the members of the Audit Committee.

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

- At the invitation of the Committee, the Chief Internal Auditor, Senior Vice President (Finance), Statutory Auditors and the Secretary of the Company who is acting as Secretary to the Audit Committee also, attended the Audit Committee Meetings to answer and clarify the queries raised at the Committee Meetings.

- (c) During the year 2003-04 four Audit Committee Meetings were held on 19th May 2003, 30th July 2003, 28th October 2003 and 29th January 2004 and the attendance of the Audit Committee Members was as under :—

Audit Committee Meetings

| Name of the Audit Committee Members | Held | Attended |
|--|-------------|-----------------|
| Shri Naresh Chandra | 4 | 4 |
| Shri R. Vasudevan | 4 | 3 |
| Shri Kranti Sinha | 4 | 4 |
| Shri A. Karati | 4 | 2 |
| Shri A. Sankaranarayanan (ceased w.e.f. 29.1.04) | 4 | 4 |
| Shri B K Chaturvedi (ceased w.e.f. 29.1.04) | 4 | 3 |

4. Executive Committee of Directors

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

1. Shri P K Khaitan – *Chairman*
2. Shri A Sankaranarayanan
3. Shri B K Chaturvedi *

The Executive Committee meets as and when necessary to attend to urgent business and is empowered to do all such acts, deeds and things, which are delegated to it by the Board. Only one meeting of the Executive Committee was held during the year i.e. on 18th November, 2003.

* Shri B K Chaturvedi has ceased to be a member of the Committee consequent upon acceptance of his resignation from the services/directorship of the Company by the Board at its meeting held on 24th May 2004.

5. The Shareholders'/Investors' Grievances Committee

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

| Name | Nature of Directorship | Membership |
|---------------------------------|-------------------------------|-------------------|
| Shri Naresh Chandra | Non-Executive Director | Chairman |
| Shri P K Khaitan | Non-Executive Director | Member |
| Shri R Vasudevan (IDBI Nominee) | Non-Executive Director | Member |
| Shri A Sankaranarayanan | Non-Executive Director* | Member |

* Shri A Sankaranarayanan upon his retirement has become an Independent Non-Executive Director with effect from the conclusion of the Board meeting held on 24.5.2004.

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

The Committee oversees the performance of M/s Karvy Computershare Pvt. Limited, the Registrars and Share Transfer Agents of the Company and recommends measures to improve the level of investor related services. Though the powers to approve share transfer/share transmission are delegated to the Registrars and Share Transfer Agents, all the share transfer/transmission cases approved by the Registrars are reported to the Committee. The Committee also keeps a close watch on disposal status of all complaints/grievances of shareholders. During the year under review, 392 complaints were received directly from the shareholders / investors as per details given in the table below and none of the complaints was pending as on 31st March 2004. All complaints received through various regulators were resolved during the year except the one received through SEBI, Kolkata during the fourth quarter of the year which was pending as on 31st March, 2004. The same together with two other complaints received through SEBI, Kolkata after 31.3.2004 thus making three in all is still pending as on the date of this report. There were no share transfer applications pending for registration for more than 30 days as on 31st March, 2004 except those cases where notices were required to be sent to registered holders due to their objection lodged with the Company.

Complaints received during the year ended 31st March 2004 directly by the Company and the Registrars and Share Transfer Agents of the Company

| Nature of Complaints | No. of Complaints | |
|---|-------------------|-------------|
| | Received | Attended to |
| Non-receipt of Share Certificates | 153 | 153 |
| Non-receipt of Dividend Warrants | 28 | 28 |
| Non-receipt of Certificates against Allotment Letters | 194 | 194 |
| Non-receipt of Stickers | 4 | 4 |
| Non-receipt of redemption amount | 6 | 6 |
| Non-receipt of Annual Report | 7 | 7 |

The Company has by now attended to all the aforesaid investors' grievances/correspondences and the average period for redressal of grievances is 10 days from the date of receipt of the same.

6. Remuneration Committee

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

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

1. Shri Naresh Chandra – *Chairman*
2. Shri P K Khaitan – *Member*
3. Shri R Vasudevan – *Member*

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

During the year under review only one meeting of the Remuneration Committee was held on 29.1.2004 in which all the members were present.

The Remuneration Policy of the Company in so far as the same pertains to Non-Executive Directors upto 31.3.2004 was that they were to be paid commission not exceeding 1% of the net profits, if and when earned by the Company, subject to a maximum of Rs. 300000/- per annum and if specifically authorised by the Board of Directors. However, w.e.f. the current financial year the Board in view of the mounting losses has decided to shelve such a policy till the Company earns sufficient profit. In so far as the same relates to Executive Directors specific resolutions are passed by Board members/Remuneration Committee on a case to case basis.

7. Remuneration* paid to Directors during the year ended 31st March, 2004

| Non-Executive Directors | |
|--------------------------------|---|
| Name | Sitting fees for attending Committee and Board Meetings |
| Shri C K Birla | 35,000.00 |
| Shri P K Khaitan | 45,000.00 |
| Dr. Anand C Burman | 5,000.00 |
| Shri Kranti Sinha | 45,000.00 |
| Shri A Karati | 25,000.00 |
| Shri Naresh Chandra | 75,000.00 |
| Shri R. Vasudevan | 60,000.00 |
| Shri S C Jain | 10,000.00 |

| Executive Directors | | | |
|----------------------------|--------------------------------|--|--------------|
| | Salary and Perquisites* | Contribution to PF/ Superannuation Fund | Total |
| Shri A Sankaranarayanan | 5441297 | 731880 | 6173177 |
| Shri B K Chaturvedi | 4667365 | 621000 | 5288365 |

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

Notes : 1) No Commission has been paid to any Director.

2) M/s Khaitan & Co., Solicitors of the Company of which Shri P K Khaitan is a Partner renders professional services to the Company upon receipt of fee.

3) The employment of both the whole-time Directors were contractual in nature and were terminable by either side on three months' notice or pay in lieu thereof. No severance fee was paid to any of the whole-time Directors upon termination of his employment.

8. General Body Meetings held in the last three years

| Nature of the General Meeting | Date | Venue | If Special Resolution(s) passed |
|--------------------------------------|-------------|--|--|
| Annual General Meeting | 21-08-2003 | Calcutta Ice Skating Rink 78, Syed Amir Ali Avenue Kolkata-700019. | Yes* |
| Annual General Meeting | 21-08-2002 | -do- | Yes |
| Annual General Meeting | 24-07-2001 | -do- | Yes |

* **Postal Ballot :** For the first time, in the 61st Annual General Meeting held on 21st August, 2003, a Special Resolution for alteration of the Object Clause of the Memorandum of Association of the Company by way of insertion of three new clauses therein was passed through postal ballot system in which 99.97% votes were cast in favour of the resolution and the balance 0.03% were cast against resolution. Mr. N G Khaitan, a noted Notary and Solicitor was appointed as the Scrutiniser who had conducted the voting process in a fair and transparent manner. After the ballot exercise was over, he had submitted his report dated 20.8.2003 to the Chairman who on the basis of that report had declared the resolution having been passed by requisite majority.

9. Disclosures

There are no materially significant transactions with the related parties viz. Promoters, Directors or the Management, their Subsidiaries or relatives etc. that may have potential conflict with Company's interest at large.

There were no 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.

10. Means of Communication

| Subject | Details |
|--|--|
| Half-yearly report sent to each household of shareholders. | Since Company's unaudited quarterly results including half yearly results are published in newspapers and also displayed on Company's website, the same were not sent to each household of shareholders. |
| Quarterly results – Which newspapers normally published in | The Financial Express – All India publications. Aajkal (Bengali version) – Kolkata Edition |
| Any website, where displayed | www.hindmotor.com |

| Subject | Details |
|---|--|
| Whether it also displays official news release and presentations made to institutional Investors / Analysis | No such occasion arose during the year. |
| 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 | 20th September 2004. | |
| Venue | Calcutta Ice Skating Rink 78, Syed Amir Ali Avenue Kolkata – 700 019 | |
| Financial Calendar for F.Y. 2004-05 | a. 1st Quarterly Results | On or before 31.07.2004 |
| | b. 2nd Quarterly and half yearly Results | On or before 31.10.2004 |
| | c. 3rd Quarterly Results | On or before 31.01.2005 |
| | d. 4th Quarterly and yearly audited Results | On or before 31.05.2005 |
| Date of Book Closure | 2.09.2004 to 17.09. 2004 (both days inclusive) | |
| Dividend Payment | In view of the losses incurred by the Company during the year under review, there did not arise any occasion for the Board of Directors to consider recommending any dividend on the equity shares of the Company. | |
| Listing on Stock Exchanges | <p>The Calcutta Stock Exchange Association Ltd. 7, Lyons Range, Kolkata 700 001 Tel: 91-33-2210 4470-77 Fax : 91-33-2210 4492/ 4500</p> <p>The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers Dalal Street, Mumbai 400 001 Tel: 91-22-2272 1233 / 1234 Fax: 91-22-2272 3677</p> <p>The National Stock Exchange of India Ltd. "Exchange Plaza" Bandra-Kurla Complex, Bandra (E) Mumbai 400 051 Tel: 91-22-2659 8100-14 Fax: 91-22-2659 8237/ 8238</p> | |
| Stock Code | The Calcutta Stock Exchange | 1000012 |
| | The Stock Exchange, Mumbai | 500500 |
| | The National Stock Exchange of India Ltd. | HINDMOTOR |

- The Company's shares have been delisted from The Delhi Stock Exchange Association Limited w.e.f. 23rd January, 2004.

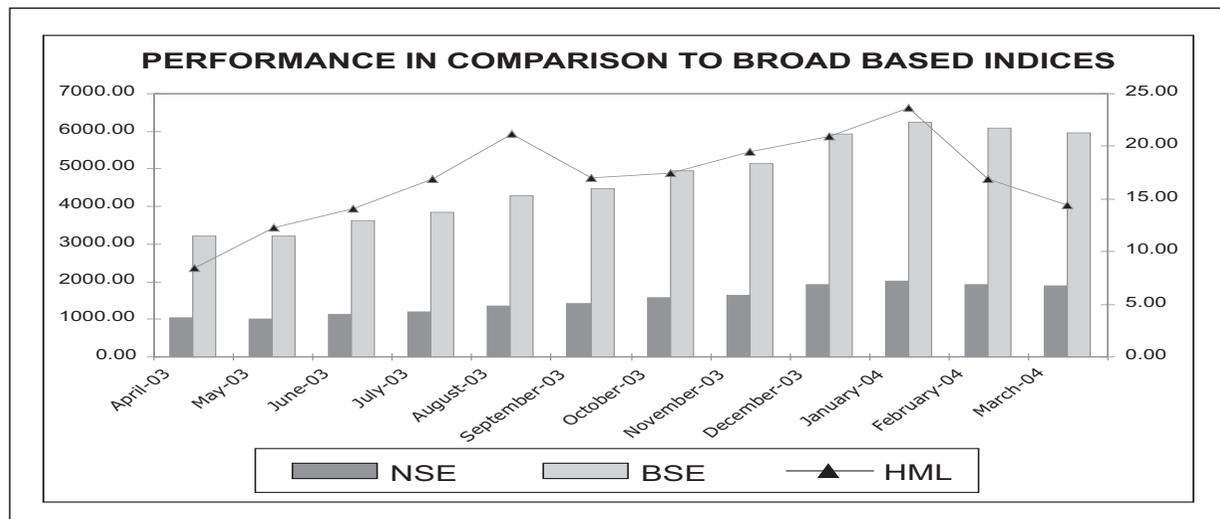
Market Price Data

The Company's shares are listed on The Calcutta Stock Exchange, The Stock Exchange, Mumbai and National Stock Exchange of India Ltd. The monthly high and low quotations of shares traded during the year 2003-04 are as below :

| MONTH | CSE | | BSE | | NSE | |
|-----------------|-------|-------|-------|-------|-------|-------|
| | High | Low | High | Low | High | Low |
| April, 2003 | 8.15 | 8.10 | 8.50 | 7.25 | 8.50 | 7.50 |
| May, 2003 | 12.20 | 7.80 | 12.20 | 7.70 | 12.25 | 7.65 |
| June, 2003 | 13.75 | 11.65 | 14.00 | 11.45 | 14.40 | 11.55 |
| July, 2003 | 16.50 | 12.90 | 16.90 | 12.65 | 16.90 | 12.70 |
| August, 2003 | 21.10 | 13.05 | 21.18 | 12.65 | 21.20 | 12.80 |
| September, 2003 | 20.20 | 13.50 | 17.00 | 13.30 | 17.00 | 13.35 |
| October, 2003 | 17.50 | 13.60 | 17.40 | 13.05 | 17.45 | 13.15 |
| November, 2003 | 18.50 | 13.90 | 19.39 | 12.40 | 19.45 | 12.50 |
| December, 2003 | 20.50 | 18.05 | 20.85 | 17.70 | 21.00 | 17.75 |
| January, 2004 | 22.70 | 15.85 | 23.55 | 15.00 | 23.70 | 15.35 |
| February, 2004 | 16.85 | 12.60 | 16.90 | 13.00 | 16.90 | 13.90 |
| March, 2004 | 14.20 | 10.10 | 14.50 | 9.81 | 14.40 | 9.80 |

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

A graphical presentation is as follows :



The Registrar and Share Transfer Agent of the Company

M/s Karvy Computershare Pvt. Limited*

"Karvy House"

46, Avenue 4, Street No. 1

Banjara Hills, Hyderabad 500 034

Tel : 040 2330 4703, Fax : 040 2332 3056/58

* Due to change in its internal management control/restructuring of its business Karvy Consultants Limited is now known as Karvy Computershare Pvt. Ltd.

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 3 days from the date of receipt of the request. The Authorized Officers of the Registrars and Share Transfer Agent meet as often as required. During the year 2003-04, 1053254 shares in physical form were transferred and the transfer process was completed within an average time period of 3 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, 2004

| No. of shares | Shareholders | | Shares | |
|----------------|---------------|---------------|------------------|---------------|
| | Number | % | Number | % |
| 1- 500 | 94765 | 77.91 | 18583027 | 11.53 |
| 501- 1000 | 13500 | 11.10 | 11541651 | 7.16 |
| 1001- 2000 | 6681 | 5.49 | 10500564 | 6.52 |
| 2001- 3000 | 2233 | 1.84 | 5774975 | 3.58 |
| 3001- 4000 | 1047 | 0.86 | 3802400 | 2.36 |
| 4001- 5000 | 1050 | 0.86 | 5033589 | 3.12 |
| 5001- 10000 | 1327 | 1.09 | 10031476 | 6.22 |
| 10001-20000 | 602 | 0.49 | 8578508 | 5.32 |
| Above 20000 | 436 | 0.36 | 87325803 | 54.18 |
| Total : | 121641 | 100.00 | 161171993 | 100.00 |

Category of Shareholders as on 31st March, 2004

| Sl. No. | Category | No. of Folios | % of Folios | No. of shares | % of share holding |
|---------|--|---------------|---------------|------------------|--------------------|
| 1. | Promoters | 35 | 0.03 | 47520565 | 29.48 |
| 2. | Resident Individuals | 117202 | 96.35 | 78608901 | 48.78 |
| 3. | Private Corporate Bodies | 2962 | 2.44 | 17905357 | 11.11 |
| 4. | Financial Institutions | 16 | 0.01 | 12248339 | 7.60 |
| 5. | Nationalised Banks & Mutual Funds | 85 | 0.07 | 200238 | 0.12 |
| 6. | FII's | 15 | 0.01 | 1632917 | 1.01 |
| 7. | NRI's & OCB's (including CEP) | 1082 | 0.89 | 2895390 | 1.80 |
| 8. | Foreign Companies/Non-residents (Non-Indian) | 244 | 0.20 | 160286 | 0.10 |
| 9. | Pending confirmation from Depository | 0 | 0.00 | 0 | 0.00 |
| | Total : | 121641 | 100.00 | 161171993 | 100.00 |

Dematerialisation of Equity Shares and Liquidity

The Company's shares are currently traded only in dematerialised form at three stock exchanges viz. NSE, BSE & CSE. To facilitate trading in dematerialised form, the Company has tied up arrangements with both the present depositories, i.e. National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd. (CDSL). Shareholders can open account with any of the depository-participants registered with any of these depositories. As on 31st March 2004, about 88% of the Company's shares were held in dematerialised form.

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

HINDUSTAN MOTORS LIMITED

Plant Locations (Manufacturing Units)

| Address | Items produced |
|---|--|
| Hindmotor Dist. Hooghly, West Bengal – 712 233 | Ambassador and Contessa Cars, Trekker, Trucks and spare parts. |
| Pithampur Sector III, Sagore – 455 774 Dist. Dhar, Madhya Pradesh | Multi-utility Vehicles (RTV), Engines, Gear Boxes and Transmissions and spare parts. |
| Punapalli Village Mathagonda Palli Post, Hosur Taluk – 635 114 Dharmapuri Dist., Tamil Nadu | On-highway and Off-highway Transmissions |
| Adigathur Kadambathur – 631 023 Tiruvallur Dist., Tamil Nadu | Lancer Car and spare parts. Pajero car. |

Address for Correspondence

- ◆ For matters related to shares

M/s. Karvy Computershare Pvt. Limited
“Karvy House”
46 Avenue 4, Street No. 1, Banjara Hills, Hyderabad 500 034
Telephone No : (040) 2332 3031 / 2330 4703
E-mail : vmahesh@karvy.com

- ◆ For queries/assistance on issues other than shares (including those related to financial statements) :

Mr G N Pareek
Company Secretary
Hindustan Motors Ltd.
9/1, R N Mukherjee Road, Kolkata - 700 001
Telephone No : (033) 2242-0932
E-mail : hml@cal3.vsnl.net.in

- ◆ For share transfer/transmission requests

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

Details of Directors appointed during the year under review / seeking reappointment at the ensuing Annual General Meeting :

| | | |
|---|---|--|
| Name of Director | Shri Kranti Sinha | Shri Naresh Chandra |
| Date of appointment | 13.04.1998 (reappointed w.e.f. 15.12.03) | 24.07.2002 |
| Qualification | M.A. | B.Sc., M.Sc., I.A.S. (Retd.) |
| Nature of expertise in specific functional areas | Retired senior executive of Public Sector undertaking and having varied experience in business. | Retired civil servant who had served in various capacities including at the Cabinet Secretary level with Govt. of India and the Chief Secretary, Govt. of Rajasthan and having vast experience in diversified fields like Industries and Mines, Power, Finance, Agriculture, Home and Economic Affairs, Water Resources and Defence. |

| | | |
|--|---|--|
| | | After retirement served in various capacities viz. Senior Advisor to the Prime Minister of India, Governor of Gujarat and Ambassador of India to the U.S.A. He is also the founder member of Mathematical Sciences Foundation, Delhi. Have also chaired the Committee for examining and recommending on various Corporate Governance norms particularly on Audit practices and procedures in India. |
| Names of directorship in other companies. | Uniflex Cables Ltd. Larsen & Toubro Ltd. Managing Director of The Global Institute for Financial & Education Services India Pvt. Ltd. | Haldia Petrochemicals Ltd. Bajaj Auto Ltd. Balarampur Chini Mills Ltd. Lord Krishna Bank Ltd. Media Content & Communications Services Pvt. Ltd. |
| Names of committees of other companies in which the director is a member. | Chairman and Member of Audit Committees of Directors of Larsen & Toubro Ltd. and Uniflex Cables Ltd. respectively. | Vice-Chairman, Audit Committee of Balarampur Chini Mills Ltd. Audit Committees of Media Content & Communications Services Pvt. Ltd., Lord Krishna Bank Ltd., Haldia Petro-chemicals Ltd. and Bajaj Auto Limited. Remuneration Committees of Directors of Bajaj Auto Limited and Haldia Petro-chemicals Ltd. |

| | | |
|--|--|---|
| Name of Director | Shri Pradip Kumar Khaitan | Dr. Anand C Burman |
| Date of appointment | 21.12.1989 | 26.11.1997 |
| Qualification | B.Com., LL.B., Attorney-at-Law (Bell Chambers Gold Medallist). | B.Sc. (from the University of Wisconsin) M.Sc. (from the University of Kansas) Awarded Doctorate by University of Kansas. |
| Nature of expertise in specific functional areas | Commercial and Corporate Laws, Tax Laws, Arbitration, Intellectual Property, Foreign Collaborations, Mergers & Acquisitions, Restructuring and Demergers. | Expertise in Oncology Active Pharmaceutical Ingredients and Formulations, a leading figure specialising in the area of research and developments. |
| Names of directorship in other companies. | CESC Ltd. Dalmia Cement (Bharat) Ltd. Electrosteel Castings Ltd. GIS Ltd. Graphite India Ltd. India Glycols Ltd. Lanco Kalahasthi Castings Ltd. OCL India Ltd. Pilani Investment & Industries Corpn. Ltd. South Asian Petrochem Ltd. Woodlands Hospital & Medical Research Centre Ltd. Sri Gopal Investments Ltd. | Chairman — Dabur Pharma Ltd. Vice Chairman — Dabur India Ltd. Director — Interx Laboratories Pvt. Ltd. Dabur Research Foundation Dabur Pharmaceuticals Ltd. Dabur Overseas Ltd. Dabur Oncology plc. Puran Associates Pvt. Ltd. Burmans Finvest Ltd. |
| Names of committees of other companies in which the director is a member. | Remuneration Committee — Chairman — GIS Ltd. Graphite India Ltd. Member — South Asian Petrochem Ltd. | None |

HINDUSTAN MOTORS LIMITED

| | | |
|--|--|--|
| Name of Director | Shri R. Santhanam | Shri A. Sankaranarayanan |
| Date of appointment | 24.05.2004 | 08.01.1997 |
| Qualification | B. Tech (Mech. Engg.), MBA | B.E. (Mech.) |
| Nature of expertise in specific functional areas | As a Senior Corporate Executive, he has expertise in industrial production planning, product designing, marketing and customer operations including market research. | As an Engineer of high calibre 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. |
| Names of directorship in other companies. | None | McNally Bharat Engg. Co. Ltd. Birlasoft Ltd. Accord Group (India) Pvt. Ltd. Hindustan Motors Ltd., USA |
| Names of committees of other companies in which the director is a member. | None | None |

The above report was placed before and approved by the Board at its Meeting held on 24th May, 2004.

For and on behalf of the Board of Directors

9/1, Rajendra Nath Mukherjee Road
Kolkata - 700 001, the 24th May, 2004

C. K. Birla
Chairman

AUDITORS' CERTIFICATE

To
The Members of Hindustan Motors Limited

We have examined the compliance of conditions of corporate governance by HINDUSTAN MOTORS LIMITED, for the year ended on 31st March, 2004, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

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 state that in respect of investor grievances received by the Company, one investor grievance pending as on 31st March, 2004, for more than 30 days, as per the records maintained by the Company and presented to the Shareholders'/Investors' Grievances Committee.

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

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

Membership No. 16667

Dated : 24th May, 2004

Annexure - 3 to the Directors' Report

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors confirms that :

- A. In the preparation of the annual accounts, for the year ended 31st March 2004, all the applicable accounting standards prescribed by the Institute of Chartered Accountants of India have been followed, except the accounting standard as stated below :
- **Accounting Standard 2 – Valuation of inventories**
The Company, in view of the provisions of Section 145A of the Income Tax Act, 1961 continues to follow the Cenvat inclusive method of accounting in respect of purchases, consumption and inventories as, referred to in Note No. 6(a) of Schedule 22 to the Accounts.
 - **Accounting Standard 15 – Accounting for Retirement benefits**
The practice being followed by the Company in respect of accounting for leave liability, contribution towards meeting gratuity liability and payments being made to employees who have opted for monthly payments under Voluntary Early Retirement Schemes, on cash basis have been referred to in Notes 6(b), 6(c) and 6(d) respectively of Schedule 22 to the Accounts.

The Company is of the opinion that the creation of the deferred tax asset is justified in view of the expected performance and the possible benefits out of proposed business restructuring.
- B. The Directors have adopted such accounting policies and have applied them consistently and have made judgements and estimates in a reasonable and prudent manner so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the loss of the Company for the year.
- 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

9/1, Rajendra Nath Mukherjee Road
Kolkata - 700 001, the 24th May, 2004

C. K. Birla
Chairman

Annexure - 4 to the Directors' Report

Information Under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 (As Amended) and forming part of the Directors' Report for the year ended 31.03.2004.

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

| Name / (Age) | Designation/ Nature of Duties/ Experience (years) | Gross Remuneration (Rs.) | Net Remuneration (Rs.) | Qualification | Date of Commencement of Employment | Particulars of Last Employment. Employer/ Last Post Held / No. of Years-Months |
|--------------------------|---|--------------------------------|------------------------------|---------------------|--|---|
| Sankaranarayanan A. (60) | Managing Director (39) | 6275083 | 4163253 | B.E. (Mech.) | 02.12.1983 | English Electric Co. (India) Ltd./Gen. Mngr.-Works/03-01 |
| Chaturvedi B. K. (55) | Executive Director (33) | 5371530 | 3454033 | B.E. (Mech.) MBA | 18.07.2000 | Eicher Limited / Managing Director / 06-05 |
| Singhi S. P. (65) | President (Admn.)(44) | 2629175 | 1029951 | B.Sc. | 26.03.1960 | None |

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

Nil

Gross remuneration includes actual payments and /or taxable value of perquisites and Company's contributions to provident and super-annuation funds (excluding gratuity and other parting benefits).

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

Nature of employment - contractual except Mr. Singhi S P.

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

For and on behalf of the Board of Directors

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

I. Important measures taken

At UTP Division

- a) Load has been shifted to minimize max demand from 14045 KVA to 12525 KVA by :
 - i) reducing number of compressor operation from 18 to 13
 - ii) reducing number of furnaces from 17 to 13 in H/T Shop.
 - iii) shifting peak load of furnaces by 90 minutes
 - iv) changing higher H.P. motors by Lower H.P. motors.
 - v) replacing 32 KW Heater by 12 KW in seal quench washing machine and by 18 KW in rear axle washing machine.
- b) Water consumption inside the plant has been reduced from 4800 m³/day to 3500m³/day through proper water management.
- c) Power factor has continued to be maintained above 0.98 at Uttarpara.
- d) Power consumption for compressed air has been reduced from 27000 KWH/day to 22000 KWH/day by stopping the following compressors :
 - i) Engine Plant – 1 no.
 - ii) Central Compressor House – 1 no.
 - iii) New C. I. Foundry – 1 no.
 - iv) Press Shop – 1 no.
 - v) Paint Shop – 1 no.
- e) Fixed consumption of power has been reduced in Colony Maintenance Buildings from 27000 KWH/day to 24000 KWH/day.
- f) Thermostat has been fixed to operate the cooling tower fan to save power.
- g) Timer switch has been fixed for security lighting and shop lighting to save power in various shops.
- h) Provided N.O. N.C. contacts for inching operation to reduce idle running of presses.
- i) Introduction of 2 Shifts and six days a week production with single line (two furnaces operating) in each shift working in place of four furnaces working, thus reducing power requirement by 1500 KW.
- j) 5 other furnaces disconnected in H/T Shop. Running of Die, Die Try Out and T.P.S. in one shift only.

At PUP/RTV Division

- a) Installation of programmable timer system at air compressor.
- b) Reduction of lighting & air conditioning load at various places.
- c) Commonisation of T/M Isuzu and GMI assembly air handling system.
- d) Installation of FRP fan in place of aluminium fan in cooling tower.
- e) Replaced the ceramic candles in compressed air dryer.
- f) Installation of Energy efficient tube light fittings at various places.
- g) Installation of Energy efficient pump at various places (1) GMI dynamometer water circulation system (2) AHU's Blower motors.
- h) Installation of dual rating chokes 150/70 watts in street lighting (8 nos.) at GMI area.

At CCP Division

- a) Installed capacitor bank in sub station for better power factor control management.
- b) CCP has two cooling towers serving different equipment. Cooling tower attached to Paint Shop works for 24 hrs. and the other CT attached to compressor and weld shop works as required. The two cooling towers have been interconnected so that only one CT needs to be run at a time.

At PPD Division

- a) Installing auto star delta star converter on identified motors in the shop floor.
- b) Avoiding genset operation during peak hours i.e. between 06.00 AM & 09.00 AM and from 06.00 PM to 09.00 PM since the operating cost of DG power is higher compared to EB power.
- c) Replacement of conventional cooper ballast with energy efficient electronic ballast for office lighting.
- d) Optimization of cold water pump operation in compressor.
- e) Installation of capacitors across load centres to achieve overall power factor of 0.99 (average).
- f) Providing air supply to machines in shop floor during third shift with smaller capacity compressor of 50 cfm instead of 500 cfm.
- g) Arresting of compressed air leakage in the airline piping and joints.

II. Impact of above energy conservation measures

| | | |
|---|---|----------------|
| i) Total savings | : | Rs. 56.46 lacs |
| ii) Energy saving per unit of output at | | |
| a) UTP Division | : | Rs. 220.28 |
| b) PUP/RTV Division | : | Rs. 78.00 |
| c) CCP Division | : | Rs. 154.00 |
| d) PPD Division | : | Rs. 943.75 |
| iii) Energy saving against total cost of energy | : | 3.44 % |

B. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION**I. In-house Major Research & Development (R&D)****1. Specific areas in which R&D carried out —**

- a) Launch of Ambassador 'Grand' and 'Avigo' models besides full metal body of Trekker by the name 'Pushpak' and 'Cosmo' brand of RTV introduced.
- b) Left Hand Drive version of Ambassador developed for export market.
- c) HM Roadmaster, a 10 Ton BS II compliant LCV developed.
- d) Ford technology, 1.6 & 1.4 Litre Sigma Engine Assembly technology absorbed and engines are under validation supplies to commence in Sept-04.
- e) Ford Transmission iB5 Cable shift type Assembly technology absorbed. Production started. Despatch to start from Sept-04.
- f) Developed a 2.0 Litre Gas engine for Genset and Industrial application is under evaluation, Commercial sale is expected in March 2005.
- g) 1.8 Litre High compression engine is under development for improved derivability and fuel consumption.
- h) Bosch sequential engine MPFI supplies started. The system is Euro-III compliant.
- i) Technical support to localization activity especially on changes to suit local conditions.

- j) Testing and approval of local parts/aggregates as per development plan for Ford and GMI power trains.
- k) Product improvement based on filed performance requirements is in place.
- l) Development of new product variants with additional features to meet customer requirements and new business application.
- m) Transmission developed for M&M Bolero and supplies started.
- n) Plan and execution of design changes to comply with safety regulations.
- o) Product improvements related to field performance.
- p) Development of new product variants with additional features in order to improve market share of Lancer.
- q) Plan and execution of design changes to comply with safety regulations.
- r) Completed work on electric shift for CT-100 Transmission.
- s) New Crescent Pump for JCB requirement designed and prototype manufactured and tested.
- t) Improvements and validation completed for CRT 5633 Hydraulic Control Valve Assembly.
- u) Heavy Duty CAM for TT 2000 designed and fitted for field feedback.
- v) Fitment of TT 2421 with electric control valve on 20 Ton Rough Terrain Crane.
- w) Fitment completed for TRT 2421 for Railway application with electric controls.
- x) Completed installation and commissioning of TRT 2421 with electric shift for Malaysian Railways.
- y) Technical support provided for development of support accessories and release of Bill of Material for various applications.
- z) Support provided to export team in identifying and releasing the part drawings with Key Product Characteristics.

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

- a) Compliance of regulatory norms/requirements.
- b) Continuous product upgradation with contemporary features.
- c) Market sustainability of the product and new product launch.
- d) Cost reduction and import substitution.
- e) Improved market share.
- f) Product conformance to safety regulations.
- g) New application to improve the sale of Engines and Transmissions.

3. **Future plan of action :**

- a) Introduction of BSIII compliant petrol and diesel engines for Ambassador & MUV.
- b) Introduction of contemporary features like Common key, Power Window, Central locking into Ambassador high end models eg. Avigo & Grand.
- c) Introduction of Simpson's DI, BSII compliant engines of Porter Plus model.
- d) Introduction of 2.5 tonne CNG LCV on Contessa platform.
- e) Introduction of BSIII compliant LPG and CNG variants of Ambassador.
- f) 2 Lt. Diesel engine Turbocharged Intercooled is being taken up for upgrading the same to BSIII with international consultants.
- g) Higher torque capacity gearbox prototypes shall be offered for evaluation at customer end.
- h) 2 Lt. Engine with Bosch MPFI system and BSIII compliant is being planned for introduction after ARAI approval.

- i) Engine development with value added feature for exhaust emission performance and reliability improvements are under study /development.
- j) In-house test facilities for critical components.
- k) Introduction of additional features on Pajero 2800 GLX.
- l) Implementation of specification changes to comply with BSIII Emission Standards.
- m) Feasibility study on new models through CBU route.
- n) Design validation of integrated turbine concept for TT 2000 Transmission.
- o) A&I review for various new applications, CT-100 in specific.
- p) New cost-effective shoe type parking brake for TT 2000 Transmission.
- q) New Cycling Transmission design for Voltas 3-5 Ton range forklift truck.

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

| | | |
|------------------------|---|-----------------------|
| Capital Expenditure | : | Rs 73.68 lacs |
| Recurring | : | Rs 670.68 lacs |
| Total | : | Rs 744.36 lacs |
| Percentage of Turnover | : | 1.02 % |

II. Technology imported during the last 5 years :

| Technology for | Year of Import | Technology Source/ Consultant | Has technology been fully absorbed? | If not fully absorbed, areas where this has not taken place, reason therefor and future plan of action |
|---|-----------------------|--|---|---|
| Mitsubishi Pejero 2800 GL & GLX | 2002 | Mitsubishi Motor Corporation, Tokyo, Japan | Technology for in-house manufacture has been fully absorbed; localization of Battery, Tyres and Music system completed. | Localization of chassis parts based on Mitsubishi technology being planned. |
| Mitsubishi Lancer with 1800 cc Gasoline Engine and Automatic Transmission | 2002 | -do- | Technology for in-house manufacturing has been fully absorbed; localization of Battery, HVAC system completed. | Localization of exclusive chassis parts being planned. |

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

The relevant information has been provided in Notes 23 and 24 of Schedule 22 to the Accounts.

For and on behalf of the Board of Directors

9/1, Rajendra Nath Mukherjee Road
Kolkata - 700 001, the 24th May, 2004

C. K. Birla
Chairman

Auditors' Report

TO THE MEMBERS OF
HINDUSTAN MOTORS LIMITED

We have audited the attached **Balance Sheet** of **HINDUSTAN MOTORS LIMITED**, as at **31st March, 2004** and the **Profit & Loss Account** and the **Cash Flow Statement** for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (ii) in our opinion, *subject to Note No. 1(X) (a) & (b) on Schedule 22 regarding non-accounting of gratuity & leave liabilities to employees on accrual basis*, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of such books;
- (iii) the Balance Sheet, Profit & Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account as submitted to us;
- (iv) on the basis of written representations received from the directors as on 31st March, 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2004 from being appointed as director in terms of clause (g) of sub-section(1) of Section 274 of the Companies Act, 1956.
- (v) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement have been drawn up in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 *except for Accounting Standard-2 with respect to the inclusion of CENVAT element in the inventories (Note No.6(a) on Schedule-22) and Accounting Standard-15 in respect of following matters (Note Nos. 6(b) to (d) on Schedule -22).*
 - a) *Non-provision of leave liability in respect of employees.*
 - b) *Non-provision of a part of gratuity liability.*
 - c) *Non-provision of future monthly compensation payments to the employees under Voluntary Early Retirement Scheme.*

and Accounting Standard-22 in respect of consideration of Deferred Tax Asset as indicated in Note No. 9 in Schedule-22.

- (vi) Attention is drawn to the following notes on Schedule 22 whose impact on the Company's Loss/Profit & Loss Account Debit Balance is indicated in the respective notes below:-
- a) Note No.6(a) regarding inclusive method of accounting followed by the Company and consideration of cenvat element on inputs included in closing stock of finished goods, for the purpose of excise duty provision as on the Balance Sheet date, resulting into a net increase in loss for the year by Rs. 163.76 lacs (after adjusting Rs. 1168.48 lacs being the cenvat element included in the opening inventories).
 - b) Note No. 6(b) regarding non-provision of leave liability for employees amounting to Rs. 396.17 lacs, as the same is accounted for on cash basis.
 - c) Note No. 6(c) regarding non-provision of a part of gratuity liability amounting to Rs. 2096.47 lacs.
 - d) Note No. 6(d) regarding non-provision of future monthly compensation amounting to Rs. 1531.92 lacs payable to the employees under Voluntary Early Retirement Scheme.
 - e) Note No.9 regarding recognition of Deferred Tax Asset (net) of Rs. 4128.89 lacs (including Rs.1905.31 lacs during the year). However, we are unable to express our opinion on the virtual certainty of the above adjustment.
 - f) Note No.17 regarding non-provision of doubtful / disputed debts, claims and advances aggregating to Rs. 915.74 lacs, the impact whereof on the company's loss is presently not ascertainable.

Without considering item No. vi(f) above, whose impact on the Company's loss/Profit & Loss Account Debit Balance is not presently ascertainable, had the impact of items vi(a) to (e) above been considered, the loss for the year would have been Rs.17252.88 lacs (including Rs.7214.93 lacs for earlier years) as against the reported loss of Rs.8094.71 lacs and the Profit & Loss Account Debit Balance would have been Rs. 19666.55 lacs, as against the reported figures of Rs.10508.38 lacs.

Subject to the above and read together with other 'Notes' appearing on Schedule-22 the said Statements of Account, in our opinion and to the best of our information and according to the explanations given to us, give the information required by the Companies Act, 1956 in the manner so required and *subject to Para (vi) above*, give a true and fair view in conformity with the accounting principles generally accepted in India :

- a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2004;
- b) in the case of Profit & Loss Account, of the loss of the Company for the year ended on that date; and
- c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

22, Camac Street
Block 'C', 3rd Floor
Kolkata-700 016
Date : 24th May, 2004.

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

Annexure to the Auditors' Report

(Referred to in our Report of even date to the members of Hindustan Motors Limited as at and for the year ended 31st March, 2004)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification in a phased manner to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year. As regards materials lying with outside parties, confirmation certificates have been obtained in some cases and for the balance, efforts are being made for their receipt.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. As informed, no material discrepancies were noticed on such physical verification.
- (iii) As informed to us, the Company has neither given nor taken any loan, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that some of the items purchased are of a special nature and alternate sources do not exist for obtaining quotations thereof, it appears that there are adequate internal control procedures 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. During the course of our audit, no major weakness has been noticed in the internal controls in respect of these areas.
- (v) According to the information and explanations provided by the management, there have been no transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposit from the public.
- (vii) The Company has an internal audit system which, in our opinion, is commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company has been generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, customs duty, excise duty, cess and other material statutory dues with the appropriate authorities *though there had been delays in certain 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, sales-tax, wealth-tax, customs duty, excise duty, cess and other material statutory dues were outstanding, at the year end for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding in respect of sales-tax, income-tax, customs duty, wealth-tax, excise-duty, cess on account of any dispute, are as follows :

| Nature of Statute | Nature of Dues | Amount (Rs. in lacs) | Period to which the amount relates | Forum where dispute is pending |
|--------------------------------|---|----------------------|------------------------------------|--|
| The Central Excise Act, 1944 | Disputes on account of Classification, CENVAT Credit, Assessable value, Differential Excise Duty, etc. | 266.21 | 1984-2002 | Assistant Commissioner/Commissioner (Appeals)/Commissioner of Kolkata/Chennai, Appellate Tribunal of Central Excise of Delhi and Additional Commissioner of Central Excise Vadodara/Chennai. |
| The Central Sales Act, 1956 | Disallowance of Waiver on turnover availed on car sales due to non-achievement of Bench Mark, Stock Transfer, Non-submission of C Forms, etc. | 5823.86 | 1989-2003 | Deputy Commissioner/Additional Commissioner/Appellate Deputy Commissioner/Commercial Tax Officer/Tribunal Bench of Delhi/Kolkata/Chennai/Indore and High Court of Chennai. |
| Tamil Nadu Sales Tax Act, 1959 | Disallowance of Waiver on turnover availed on car sales due to non-achievement of Bench-Mark, Additional Sales Tax, etc. | 3349.79 | 1988-2003 | The Assessing Officer/Tribunal Bench/High Court, Chennai. |
| The Customs Act, 1956 | Disputes on account of Classification, Duty on inclusion of technical know-how fees on imported goods, import of Engines, Short Levy, etc. | 977.81 | 1984-2002 | The Assistant Commissioner/Commissioner Appeals/Appellate Tribunal Kolkata/Chennai; The Deputy/Assistant Commissioner Commercial Tax, Indore. |

- (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 incurred cash loss in the current financial year, as well as in the immediately preceding financial year.*

- (xi) Based on our audit procedures and as per the information and explanations given by the management, *the Company has defaulted in repayment of dues to financial institutions and banks during the year, the details whereof are as follows :*

| Period of Default | Amount (Rs. in lacs) |
|-------------------|----------------------|
| Less than 30 days | 4129.22 |
| 30 to 90 days | 2144.74 |
| 90 to 180 days | 2636.11 |
| Above 180 days | 248.12 |

- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- (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 the information and explanations given to us by the management, term loans were applied for the purpose for which these were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that *short term funds to the tune of Rs. 2505.66 lacs approximately (without considering permanent working capital) have been used to finance long term assets, stated to be primarily because of significant cash loss during the year.*
- (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 year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

22, Camac Street
Block 'C', 3rd Floor
Kolkata-700 016
Date : 24th May, 2004.

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

HINDUSTAN MOTORS LIMITED**Balance Sheet as at March 31, 2004**

| | | Rupees in lacs | |
|--|----------|-----------------|-----------------|
| | Schedule | March 31, 2004 | March 31, 2003 |
| SOURCES OF FUNDS | | | |
| A. SHAREHOLDERS' FUNDS | | | |
| a. Share Capital | 1 | 16125.68 | 16125.68 |
| b. Reserves & Surplus | 2 | 1767.72 | 1768.89 |
| | | <u>17893.40</u> | <u>17894.57</u> |
| B. LOANS | 3 | | |
| a. Secured | | 30994.02 | 31377.99 |
| b. Unsecured | | 6346.28 | 6692.75 |
| | | <u>37340.30</u> | <u>38070.74</u> |
| | | <u>55233.70</u> | <u>55965.31</u> |
| APPLICATION OF FUNDS | | | |
| A. FIXED ASSETS | 4 | | |
| a. Gross Block | | 74995.53 | 74327.30 |
| b. <i>Less</i> : Depreciation | | 43113.31 | 39510.82 |
| c. Net Block | | 31882.22 | 34816.48 |
| d. Capital work-in-progress | | 28.07 | 197.29 |
| | | <u>31910.29</u> | <u>35013.77</u> |
| B. INVESTMENTS | 5 | 149.61 | 538.37 |
| C. DEFERRED TAX ASSET (Net) | 6 | 4128.89 | 2223.58 |
| D. CURRENT ASSETS, LOANS & ADVANCES | | | |
| a. Inventories | 7 | 15834.28 | 21349.49 |
| b. Sundry Debtors | 8 | 9783.86 | 12791.72 |
| c. Cash and Bank Balances | 9 | 1567.48 | 2404.04 |
| d. Other Current Assets | 10 | 600.45 | 1479.20 |
| e. Loans & Advances | 11 | 4812.35 | 3611.06 |
| | | <u>32598.42</u> | <u>41635.51</u> |
| E. <i>LESS</i> : CURRENT LIABILITIES & PROVISIONS | 12 | | |
| a. Current Liabilities | | 23493.39 | 24135.75 |
| b. Provisions | | 995.31 | 2621.27 |
| | | <u>24488.70</u> | <u>26757.02</u> |
| NET CURRENT ASSETS | | 8109.72 | 14878.49 |
| F. MISCELLANEOUS EXPENDITURE (To the extent not written off/adjusted) | 13 | 426.81 | 896.66 |
| G. PROFIT & LOSS ACCOUNT DEBIT BALANCE | | 10508.38 | 2414.44 |
| | | <u>55233.70</u> | <u>55965.31</u> |
| ACCOUNTING POLICIES AND NOTES ON ACCOUNTS | 22 | | |

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

In terms of our attached Report of even date.

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

May 24, 2004.

T. E. S. Varadhan
Sr. Vice President – Corporate Finance

G. N. Pareek
Secretary

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

A. Sankaranarayanan
Managing Director

Profit & Loss Account for the year ended March 31, 2004

| | Schedule | Rupees in lacs | |
|---|----------|----------------|-------------|
| | | 2003 – 2004 | 2002 – 2003 |
| INCOME | | | |
| Sales & Services | 14 | 85888.07 | 107473.04 |
| Less : Excise Duty and Sales Tax | | 12967.74 | 18260.58 |
| [Net of Cenvat utilised Rs. 6938.72 lacs (Rs. 9395.76 lacs)] | | 72920.33 | 89212.46 |
| Other Income | 15 | 982.92 | 1159.00 |
| | | 73903.25 | 90371.46 |
| EXPENDITURE | | | |
| Decrease / (Increase) in Stocks | 16 | 1351.08 | (1523.54) |
| Raw Materials and Components Consumed | 17 | 46990.64 | 59616.11 |
| Stores & Spares Consumed | | 2539.18 | 2762.08 |
| Fuel & Electricity (Net) | | 2312.54 | 2307.11 |
| Payments to and Provisions for Employees | 18 | 10832.44 | 11205.74 |
| Other Expenses | 19 | 10095.76 | 10291.59 |
| Directors' Remuneration | | 117.62 | 104.61 |
| | | 74239.26 | 84763.70 |
| PROFIT/(LOSS) BEFORE INTEREST, DEPRECIATION & TAXATION | | (336.01) | 5607.76 |
| Interest | 20 | 5534.83 | 5485.81 |
| Depreciation | 21 | 4120.18 | 4164.12 |
| | | 9655.01 | 9649.93 |
| LOSS BEFORE TAXATION | | 9991.02 | 4042.17 |
| Provision for Wealth Tax | | 9.00 | 11.00 |
| Deferred Tax | | (1905.31) | (1379.33) |
| (Refer Note No. 9 on Schedule 22) | | (1896.31) | (1368.33) |
| LOSS AFTER TAXATION | | 8094.71 | 2673.84 |
| <i>Add/(Less) : Excess Provision for Taxation Written Back</i> | | (0.77) | – |
| Debenture Redemption Reserve Written Back | | – | (144.00) |
| Loss Brought forward from Previous year | | 2414.44 | 1059.60 |
| Transfer from General Reserve | | – | (1175.00) |
| Loss Carried to Balance Sheet | | (10508.38) | (2414.44) |
| Earning per share - Basic and Diluted (Rs.) | | –5.02 | –1.66 |

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 22

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

In terms of our attached Report of even date.

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

May 24, 2004.

T. E. S. Varadhan
Sr. Vice President – Corporate Finance

G. N. Pareek
Secretary

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

A. Sankaranarayanan
Managing Director

Cash Flow Statement for the year ended March 31, 2004

| | Rupees in lacs | |
|--|------------------|------------------|
| | March 31, 2004 | March 31, 2003 |
| (A) CASH FLOW FROM OPERATING ACTIVITIES : | | |
| NET LOSS BEFORE TAXATION AND EXTRAORDINARY ITEMS : | (9991.02) | (4042.17) |
| ADJUSTMENTS FOR : | | |
| Depreciation | 4120.18 | 4164.12 |
| Deferred Revenue Expenditure | 469.85 | 484.96 |
| Interest Expenses (Net) | 5470.11 | 5377.44 |
| Financial Lease Rentals | 11.95 | 12.41 |
| Foreign Exchange Losses (Net) | 37.50 | 392.73 |
| Profit on Fixed Assets Sold / Discarded | (3.67) | (318.48) |
| Coupon Swap Income | (76.05) | - |
| Dividend Income | (11.10) | (19.50) |
| Surplus on Sale of Investment | (171.00) | - |
| OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES | (143.25) | 6051.51 |
| Increase / (Decrease) in Trade Payables | (2004.90) | 1557.28 |
| Decrease in Trade & Other Receivables | 2671.86 | 291.88 |
| Decrease / (Increase) in Inventories | 5515.21 | (4664.80) |
| CASH GENERATED FROM OPERATIONS | 6038.92 | 3235.87 |
| Add : Direct Tax Refund (Paid)/Received (Net)(including for earlier years) | (12.63) | (21.29) |
| NET CASH FLOW FROM OPERATING ACTIVITIES | 6026.29 | 3214.58 |
| (B) CASH FLOW FROM INVESTING ACTIVITIES : | | |
| Sale of Fixed Assets | 226.49 | 817.77 |
| Dividend Received | 11.10 | 19.50 |
| Proceeds from Sale of Investments | 576.01 | 1.95 |
| Purchase of Fixed Assets | (1276.38) | (1888.08) |
| Repayment of Finance Lease Liability | (26.11) | (12.41) |
| Investment in Subsidiary Company | (16.25) | - |
| NET CASH USED IN INVESTING ACTIVITIES | (505.14) | (1061.27) |
| (C) CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from Long Term Borrowings | 894.94 | 2416.09 |
| Net Increase / (Decrease) from other borrowings | (1365.81) | (61.94) |
| Coupon Swap Income | 76.05 | - |
| | (394.82) | 2354.15 |
| Repayment of Long Term Loans | (712.59) | (487.06) |
| Interest Paid (Net of Interest Received) | (5209.45) | (4941.79) |
| Dividend Paid (for earlier years) | (0.66) | (0.39) |
| Payment to Investor Protection Fund | (40.19) | (2.38) |
| NET CASH USED IN FINANCING ACTIVITIES | (6357.71) | (3077.47) |
| NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C) | (836.56) | (924.16) |
| * CASH & CASH EQUIVALENTS - OPENING BALANCE | 2404.04 | 3328.20 |
| | 1567.48 | 2404.04 |
| * CASH & CASH EQUIVALENTS - CLOSING BALANCE | 1567.48 ** | 2404.04 |

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

** Includes Rs. 102.70 lacs (Rs. 136.74 lacs) lying in unpaid Dividend/Debt Interest Account and Fixed Deposit of Rs. 13.75 lacs (Rs. 13.36 lacs) in lien with Banks.

In terms of our attached Report of even date.

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

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

T. E. S. Varadhan
Sr. Vice President – Corporate Finance

G. N. Pareek
Secretary

A. Sankaranarayanan
Managing Director

May 24, 2004.

Schedules to the Balance Sheet

| | Rupees in lacs | |
|---|-----------------|-----------------|
| | March 31, 2004 | March 31, 2003 |
| SCHEDULE 1 : SHARE CAPITAL | | |
| Authorised : | | |
| 16,50,00,000 Ordinary Shares of Rs. 10 each | 16500.00 | <i>16500.00</i> |
| 55,00,000 Unclassified Shares of Rs. 100 each | 5500.00 | <i>5500.00</i> |
| | <u>22000.00</u> | <u>22000.00</u> |
| Issued : | | |
| 16,15,89,297 Ordinary Shares of Rs. 10 each | 16158.93 | <i>16158.93</i> |
| Subscribed & Paid-up : | | |
| 16,11,71,993 Ordinary Shares of Rs. 10 each fully paid up | 16117.20 | <i>16117.20</i> |
| Add : Forfeited Shares (Amount originally paid up) | 8.48 | <i>8.48</i> |
| | <u>16125.68</u> | <u>16125.68</u> |
| Note : Issued & Subscribed Capital includes 1,53,59,409 Ordinary Shares issued and allotted as fully paid up Bonus Shares by Capitalisation of Capital Redemption Reserve & General Reserve and 5,34,22,010 Ordinary Shares issued and allotted as fully paid-up upon conversion of Fully Convertible Debentures. | | |
| SCHEDULE 2 : RESERVES & SURPLUS | | |
| CAPITAL RESERVE | | |
| a) Net Surplus on Revaluation of Fixed Assets | | |
| As per last account | 1321.06 | <i>1326.96</i> |
| Less : Adjustment towards assets sold | 0.08 | <i>4.74</i> |
| Less : Transfer to Depreciation Account | 1.09 | <i>1.16</i> |
| | <u>1319.89</u> | <u>1321.06</u> |
| b) Others : | | |
| As per last Account | 3.53 | <i>3.53</i> |
| | <u>1323.42</u> | <u>1324.59</u> |
| GENERAL RESERVE | | |
| As per last account | - | - |
| Add : Transfer from Securities Premium Account * | - | <i>1175.00</i> |
| | - | <i>1175.00</i> |
| Less : Transfer to Profit & Loss Account | - | <i>1175.00</i> |
| | - | - |
| SECURITIES PREMIUM ACCOUNT | | |
| As per last account | 317.28 | <i>1492.28</i> |
| Less : Transfer to General Reserve | - | <i>1175.00</i> |
| | <u>317.28</u> | <u>317.28</u> |
| CENTRAL SUBSIDY | | |
| As per last account | 15.00 | <i>15.00</i> |
| DEBENTURE REDEMPTION RESERVE | | |
| As per last account | - | <i>144.00</i> |
| Less : Transfer to Profit & Loss Account | - | <i>144.00</i> |
| | - | - |
| INVESTMENT ALLOWANCE RESERVE | | |
| As per last account | 112.02 * | <i>112.02</i> |
| | <u>1767.72</u> | <u>1768.89</u> |

* Fully utilised for acquiring Plant & Machinery.

Schedules to the Balance Sheet

| | Rupees in lacs | |
|--|-----------------|-----------------|
| | March 31, 2004 | March 31, 2003 |
| SCHEDULE 3 : LOANS | | |
| SECURED : (Note No. 5 on Schedule 22) | | |
| NIL 18% Secured Redeemable Non Convertible (500000) Debentures of Rs. 100 each (Privately placed) | - | 165.99 |
| <i>Less</i> : Redeemed during the year | - | 165.99 |
| | <u>-</u> | <u>-</u> |
| From Financial Institutions : | | |
| Rupee Term Loans | 11681.12 | 11683.12 |
| From Scheduled Banks : | | |
| Rupee Term Loans | 11168.99 | 11879.57 |
| Against hypothecation of stocks and Book Debts : | | |
| Cash Credits (including Demand Loans) | 5333.17 | 3758.49 |
| Foreign Currency Loans | 1665.77 | 3366.03 |
| Deferred Payment Credits (Secured by assets acquired under Lease) | 51.30 | 65.46 |
| Interest accrued and due | 1093.67 | 625.32 |
| | <u>30994.02</u> | <u>31377.99</u> |
| UNSECURED : | | |
| LONG TERM | | |
| Sales Tax Deferral Credit | 3874.81 | 2979.87 |
| SHORT TERM | | |
| From Scheduled Banks : | | |
| Foreign Currency Loans | - | 822.52 |
| Rupee Loans | 273.75 | 1252.04 |
| | <u>273.75</u> | <u>2074.56</u> |
| From Bodies Corporate ** | 2045.00 | 1475.00 |
| Security & Other Deposits | 152.72 | 161.60 |
| Interest accrued and due | - | 1.72 |
| | <u>2471.47</u> | <u>3712.88</u> |
| | 6346.28 * | 6692.75 |
| | <u>37340.30</u> | <u>38070.74</u> |

* Includes Rs. 2328.17 lacs (Rs. 3551.28 lacs) due for payment within one year.

** Includes due to subsidiary companies Rs. 125.00 lacs (Rs. 100.00 lacs).

HINDUSTAN MOTORS LIMITED

Schedules to the Balance Sheet

SCHEDULE 4 : FIXED ASSETS

| DESCRIPTION OF ASSETS | GROSS BLOCK | | | | | | DEPRECIATION | | | NET BLOCK | |
|--------------------------|----------------------------|-------------|-----------------------|----------------------------|---------------------------|-----------------|-----------------------------------|---------------------------|----------------------------|----------------------------|--|
| | As at March 31, 2003 | Additions | Sales/ Adjustments | As at March 31, 2004 | Upto March 31, 2003 | For the year | Less: On Sales/ Adjustments | Upto March 31, 2004 | As at March 31, 2004 | As at March 31, 2003 | |
| | Rupees in lacs | | | | | | | | | | |
| Freehold Land | 1281.23 | - | 8.24 | 1272.99 | - | - | - | - | 1272.99 | 1281.23 | |
| Leasehold Land | 162.79 | - | - | 162.79 | 34.68 | 5.45 | - | 40.13 | 122.66 | 128.11 | |
| Buildings | 11125.83 | 219.66 | 76.90 | 11268.59 (a) | 4178.28 | 240.91 | 12.44 | 4406.75 | 6861.84 | 6947.55 | |
| Machinery & Equipment | 59589.72 | 993.87 (b) | 494.48 | 60089.11 (b) | 34133.79 | 3735.39 | 436.88 | 37432.30 | 22656.81 | 25455.93 | |
| Railway Sidings | 2.13 | - | - | 2.13 | 2.02 | - | - | 2.02 | 0.11 | 0.11 | |
| Furniture & Fittings | 1098.70 | 19.81 | 14.18 | 1104.33 | 710.74 | 44.14 | 8.02 | 746.86 | 357.47 | 387.96 | |
| Vehicles | 1066.90 | 176.57 | 147.88 | 1095.59 | 451.31 | 95.38 | 61.44 | 485.25 | 610.34 | 615.59 | |
| Capital work-in-progress | 74327.30 | 1409.91 (c) | 741.68 (d) | 74995.53 | 39510.82 | 4121.27 | 518.78 | 43113.31 | 31882.22 | 34816.48 | |
| | 197.29 | 261.24 | 430.46 | 28.07 (e) | - | - | - | - | 28.07 | 197.29 | |
| Total - This Year | 74524.59 | 1671.15 | 1172.14 | 75023.60 | 39510.82 | 4121.27 | 518.78 | 43113.31 | 31910.29 | 35013.77 | |
| Total - Previous Year | 73338.40 | 2176.58 | 990.39 | 74524.59 | 35757.93 | 4165.28 | 412.39 | 39510.82 | 35013.77 | 37580.47 | |

Notes : (a) Includes Rs. 4.50 Lacs (Rs. 9.09 Lacs) being the value of ownership premises and shares in Co-operative Housing Societies.

(b) Includes Exchange rate fluctuations (net) Rs. 13.33 Lacs (Rs. 0.30 Lacs) and Assets acquired on Finance Lease, Gross Book Value being Rs. 71.12 Lacs (Rs. 71.12 Lacs) and Net Book Value being Rs. 56.43 Lacs (Rs. 67.96 Lacs).

(c) Includes Capital Expenditure on Scientific Research Rs. 73.68 Lacs (Rs. 28.57 Lacs).

(d) Includes Rs. 500.39 Lacs (Rs. 223.86 Lacs) being the value of Assets discarded.

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

(f) Land & Buildings of certain Units were revalued during the year ended 31.03.1984 and the resulting Surplus thereon, was transferred to Revaluation Reserve.

HINDUSTAN MOTORS LIMITED

Schedules to the Balance Sheet

| | | Rupees in lacs | | | |
|---|------------------------------------|--|-------------------------|----------------|-------------------------------------|
| | | March 31, 2004 | | March 31, 2003 | |
| SCHEDULE 5 : INVESTMENTS (At Cost) | | | | | |
| | Number of Shares/ Debentures | Face Value Per Share/ Debenture Rs. | | | |
| LONG TERM (OTHER THAN TRADE) (FULLY PAID) | | | | | |
| * GOVERNMENT SECURITIES (UNQUOTED) : | | | | | |
| 12 Year National Planning Certificates | | | 0.02 | | 0.02 |
| 12 Year National Defence Certificates | | | 0.02 | | 0.02 |
| National Savings Certificates | | | 0.06 | | 0.06 |
| | | | <u>0.10</u> | | <u>0.10</u> |
| QUOTED | | | | | |
| ORDINARY SHARES | | | | | |
| Hindustan Powerplus Ltd. | – (1800000) | – (10) | – | | 405.00 |
| Hyderabad Industries Ltd. | 175000 | 10 | 105.00 | | 105.00 |
| | | | <u>105.00</u> | | <u>510.00</u> |
| UNQUOTED | | | | | |
| ORDINARY SHARES | | | | | |
| Birla Buildings Ltd. | 30000 | 10 | 3.00 | | 3.00 |
| DEBENTURES | | | | | |
| 8% Mortgage Debentures of Indian Chamber of Commerce | – (12.5) | – (100) | – | | 0.01 |
| | | | <u>3.00</u> | | <u>3.01</u> |
| | | | <u>108.00</u> | | <u>513.01</u> |
| UNQUOTED SHARES IN SUBSIDIARY COMPANIES : | | | | | |
| ORDINARY SHARES | | | | | |
| Hindustan Motor Finance Corporation Ltd. | 250000 | 10 | 25.05 | | 25.05 |
| HM Export Ltd. | 50000 | 10 | 0.21 | | 0.21 |
| Hindustan Motors Ltd. (Incorporated in state of Delaware, USA) | 35000 | \$1 | 16.25 ** | | – |
| | | | <u>41.51</u> | | <u>25.26</u> |
| | | | <u>149.61</u> | | <u>538.37</u> |
| AGGREGATE VALUE OF INVESTMENTS : | | | | | |
| | | | <u>Market Value</u> | <u>Cost</u> | <u>Market Value</u> <u>Cost</u> |
| Quoted | | | 40.86 | 105.00 | 583.29 510.00 |
| Unquoted | | | | 44.61 | 28.37 |
| | | | <u>149.61</u> | <u>538.37</u> | <u>538.37</u> |

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

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

Schedules to the Balance Sheet

| | Rupees in lacs | |
|--|----------------|----------------|
| | March 31, 2004 | March 31, 2003 |
| SCHEDULE 6 : DEFERRED TAX ASSET | | |
| Balance as per last account | 2223.58 | 844.25 |
| Added during the year (Refer Note No. 9 on Schedule 22) | 1905.31 | 1379.33 |
| | 4128.89 | 2223.58 |
| SCHEDULE 7 : INVENTORIES | | |
| At lower of cost or net realisable value | | |
| Stores & Spares | 437.41 * | 510.82 |
| Loose Tools | 338.14 | 362.38 |
| Raw Materials and Components [including Boughtout Components & Service Parts for Sale Rs. 1911.55 lacs (Rs. 2393.28 lacs)] | 10972.69 | 14588.32 |
| Goods under process | 2456.01 | 2208.31 |
| Finished Goods | 1630.03 | 3679.66 |
| | 15834.28 ** | 21349.49 |
| * Includes discarded fixed assets awaiting disposal Rs. 33.92 lacs (Rs. 19.98 lacs). | | |
| ** Includes materials lying with third parties / in Bond and in transit Rs. 2519.19 lacs (Rs. 5256.19 lacs). | | |
| SCHEDULE 8 : SUNDRY DEBTORS | | |
| Considered good except otherwise stated : | | |
| (a) Debts outstanding for a period exceeding six months : | | |
| Secured | 33.25 | 33.73 |
| Unsecured * | 1766.73 | 2041.56 |
| | 1799.98 | 2075.29 |
| (b) Other Debts : | | |
| Secured | 44.74 | 46.34 |
| Unsecured | 7955.21 | 10260.72 |
| | 7999.95 | 10307.06 |
| (c) Due from Caterpillar India (P) Ltd. against transfer of EED (Exceeding six months) (Refer Note No. 15 on Schedule 22) | 723.46 | 1011.25 |
| | 10523.39 ** | 13393.60 |
| Less : Provision for doubtful debts | 739.53 | 601.88 |
| | 9783.86 | 12791.72 |
| * Includes due from a subsidiary company Rs. 9.23 lacs (Rs. 87.92 lacs). | | |
| ** Includes Considered doubtful Rs. 1069.36 lacs (Rs. 953.10 lacs). | | |
| SCHEDULE 9 : CASH & BANK BALANCES | | |
| Cash in hand (including cheques) | 39.59 | 26.46 |
| Remittances in transit | 1001.69 | 1519.54 |
| With Scheduled Banks on : | | |
| Fixed Deposit Account | 167.35 | 288.66 |
| Current Account | 241.56 | 418.47 |
| Margin Deposit Account | 14.59 | 14.17 |
| Unpaid Dividend / Debenture Redemption / Interest Accounts | 102.70 | 136.74 |
| | 1567.48 | 2404.04 |

Schedules to the Balance Sheet

| | Rupees in lacs | |
|--|-------------------|-----------------|
| | March 31, 2004 | March 31, 2003 |
| SCHEDULE 10 : OTHER CURRENT ASSETS | | |
| Unsecured : | | |
| Considered good except otherwise stated : | | |
| Interest accrued on Deposits | 4.07 | 3.59 |
| Export Incentives receivable | 55.81 | 89.88 |
| Insurance & Other Claims receivable | 567.05 | 1428.56 |
| | <u>626.93</u> * | <u>1522.03</u> |
| <i>Less</i> : Provision for doubtful claims | 26.48 | 42.83 |
| | <u>600.45</u> | <u>1479.20</u> |
| * Includes Rs. 413.29 lacs (Rs. 413.29 lacs) under dispute and Rs. 32.79 lacs (Rs. 50.16 lacs) considered doubtful. | | |
| SCHEDULE 11 : LOANS & ADVANCES | | |
| Unsecured : | | |
| Considered good except otherwise stated : | | |
| Advances against Capital Contracts | 124.17 | 91.70 |
| Other advances recoverable in cash or in kind or for value to be received or pending adjustments | 804.58 | 816.13 |
| Loans / Advances to Officers * | 10.54 | 13.37 |
| Balance with Customs, Port Trust & Other Government Departments | 280.03 | 120.52 |
| Sales Tax refunds receivable (including payments under appeal) | 2305.47 | 1296.48 |
| Advance Payment of Income Tax & refunds receivable (Net of Provision) | 10.36 | 5.95 |
| Deposits with Government Departments & Others | 1429.12 | 1422.70 |
| | <u>4964.27</u> ** | <u>3766.85</u> |
| <i>Less</i> : Provision for doubtful advances | 151.92 | 155.79 |
| | <u>4812.35</u> | <u>3611.06</u> |
| * Includes Rs. 8.43 lacs (Rs. 8.61 lacs) due from the Executive Director. | | |
| * Maximum amount due from officers at any time during the year Rs. 32.75 lacs (Rs. 23.36 lacs) including Rs. 8.61 lacs (Rs. 10.04 lacs) from the Executive Director. | | |
| ** Includes considered doubtful Rs. 318.23 lacs (Rs. 376.03 lacs). | | |
| SCHEDULE 12 : CURRENT LIABILITIES & PROVISIONS | | |
| A. CURRENT LIABILITIES | | |
| Acceptances | 5827.60 | 6724.45 |
| Sundry Creditors for goods, services, expenses etc. | 15668.82 | 15416.61 |
| Advances against Sales/Orders | 649.49 | 341.75 |
| Investor Education and Protection Fund | | |
| Unpaid Dividend | 89.85 | 121.49 |
| Unclaimed Debentures Redemption | 10.70 | 15.60 |
| Interest accrued and due on above | 11.84 | 16.69 |
| Other Liabilities | 723.31 | 781.90 |
| Interest accrued but not due : | | |
| On Secured Loans | 480.42 | 703.02 |
| On Unsecured Loans | 31.36 | 14.24 |
| | <u>23493.39</u> * | <u>24135.75</u> |
| B. PROVISIONS | | |
| For Customs & Excise Duty | 995.31 | 2621.27 |
| | <u>24488.70</u> | <u>26757.02</u> |
| SCHEDULE 13 : MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off/adjusted) | | |
| DEFERRED REVENUE EXPENDITURE : | | |
| Restructuring fees | 131.67 | 197.50 |
| Lump Sum Compensation Payments under Voluntary Retirement Scheme | 210.72 | 390.11 |
| Product / Market Development Expenses | 84.42 | 309.05 |
| | <u>426.81</u> * | <u>896.66</u> |
| * Represents expenses incurred prior to 31st March, 2003. | | |

Schedules to the Profit & Loss Account

| | Rupees in lacs | |
|--|----------------|-----------|
| | 2003-2004 | 2002-2003 |
| SCHEDULE 14 : SALES & SERVICES | | |
| Finished Goods [including items Capitalised Rs. 174.40 lacs (Rs. 88.98 lacs)] | 70367.90 * | 92250.78 |
| Trading Goods & Service Parts | 12059.50 * | 14109.21 |
| Job Charges | 2793.84 | 390.35 |
| Others | 666.83 | 722.70 |
| | 85888.07 | 107473.04 |

* Includes Rs. 285.03 lacs (Rs. 621.42 lacs) to a subsidiary company.

SCHEDULE 15 : OTHER INCOME

| | | |
|--|------------|---------|
| Dividend on Long Term Investments (Gross) | 11.10 * | 19.50 |
| Interest on Debts, Deposits, Advances etc. | 64.72 | 108.37 |
| Insurance & Other Claims | 22.73 | 38.91 |
| Rent & Hire Charges | 23.39 | 22.38 |
| Miscellaneous Income | 188.61 ** | 138.91 |
| Unspent Liabilities & Provisions no longer required written back | 497.70 | 512.45 |
| Surplus on Sale of Investments | 171.00 | - |
| Net surplus on fixed assets sold/discarded | 3.67 | 318.48 |
| | 982.92 *** | 1159.00 |

* Includes Rs. 10.50 lacs (Rs. 10.50 lacs) from a subsidiary company.

** Includes Swap coupon income Rs. 76.05 lacs.

*** Includes Tax at Source Rs. 7.42 lacs (Rs. 3.11 lacs).

SCHEDULE 16 : DECREASE / (INCREASE) IN STOCKS

| | | |
|-------------------------------|---------|-----------|
| Closing Stock : | | |
| Goods under Process | 2456.01 | 2208.31 |
| Finished Goods | 1630.03 | 3679.66 |
| | 4086.04 | 5887.97 |
| <i>Less</i> : Opening Stock : | | |
| Goods under Process | 2208.31 | 2047.17 |
| Finished Goods | 3679.66 | 1966.46 |
| | 5887.97 | 4013.63 |
| | 1801.93 | (1874.34) |
| <i>Less</i> : Excise Duty * | 450.85 | (350.80) |
| | 1351.08 | (1523.54) |

* Represents differential Excise Duty on Opening & Closing Stock of finished goods.

SCHEDULE 17 : RAW MATERIALS AND COMPONENTS CONSUMED

| | | |
|--|----------|----------|
| Opening Stock | 14588.32 | 11717.69 |
| <i>Add</i> : Purchases [includes bought out service parts for sale Rs. 5902.82 lacs (Rs. 8576.81 lacs)] | 43402.56 | 62528.72 |
| | 57990.88 | 74246.41 |
| <i>Less</i> : Transferred to Fixed Assets & Other Accounts | 11.37 | 13.19 |
| Sales | 16.18 | 28.79 |
| Closing Stock | 10972.69 | 14588.32 |
| | 11000.24 | 14630.30 |
| | 46990.64 | 59616.11 |

Schedules to the Profit & Loss Account

| | Rupees in lacs | |
|--|-------------------|-----------------|
| | 2003-2004 | 2002-2003 |
| SCHEDULE 18 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES | | |
| Salaries, Wages & Bonus | 8466.77 | 8704.85 |
| Contribution to Provident, Gratuity & Other Funds | 1623.72 | 1804.91 |
| Welfare Expenses | 741.95 | 695.98 |
| | <u>10832.44</u> | <u>11205.74</u> |
| SCHEDULE 19 : OTHER EXPENSES | | |
| Rent & Hire Charges | 380.81 | 410.26 |
| Building Repairs | 171.28 | 127.90 |
| Machinery Repairs | 344.97 | 318.80 |
| Insurance | 255.53 | 255.92 |
| Rates & Taxes | 52.11 | 51.87 |
| Royalties & Technical Assistance Fees | 403.28 | 541.17 |
| Commission to Selling Agents & Others | 7.20 | 4.90 |
| Selling Expenses, Service Charges, Claims etc. (Net) | 2934.42 | 3044.22 |
| Delivery Charges, Freight & Transportation etc. | 772.35 | 749.15 |
| Miscellaneous Expenses | 3335.80 | 3252.33 |
| Exchange Rate Difference (Net) | 50.83 | 393.03 |
| Charity & Donations | - | 0.25 |
| Directors' Travelling | 11.20 | 35.10 |
| Auditors' Remuneration : | | |
| As Auditors | 25.00 | 25.00 |
| Other Services for issuing various certificates (Including Rs. 13.50 lacs (Rs. 7.88 lacs) for Limited review of accounts) | 34.05 | 21.58 |
| Reimbursement of Service tax, Travelling and other expenses | 5.88 | 5.14 |
| Cost Auditor's Remuneration | 1.07 | 1.14 |
| Deferred Revenue expenditure written off | 469.85 | 484.96 |
| Cash Discount | 87.34 | 59.28 |
| Items pertaining to previous years (Net) | 452.87 | 121.73 |
| Turnover and Other Taxes | 122.74 | 101.50 |
| Provision for Doubtful Debts, Claims & Advances | 187.75 | 269.14 |
| Less : Written Back | <u>29.56</u> | <u>7.60</u> |
| Irrecoverable Debts, Claims & Advances written off | 59.75 | 49.11 |
| Less : Adjusted against Provision | <u>40.76</u> | <u>24.29</u> |
| | <u>10095.76</u> * | <u>10291.59</u> |
| * Includes Rs. 26.89 lacs (Rs. 5.15 lacs) paid to subsidiary companies. | | |
| SCHEDULE 20 : INTEREST | | |
| On Fixed Loans & Deposits | 4073.62 * | 4225.88 |
| To Banks & Others | 1461.21 | 1259.93 |
| | <u>5534.83</u> | <u>5485.81</u> |
| * Includes Rs. 13.52 lacs (Rs. 15.21 lacs) paid to a subsidiary company. | | |
| SCHEDULE 21 : DEPRECIATION | | |
| On Fixed Assets | 4121.27 | 4165.28 |
| Less : Transfer from Capital Reserve being additional Depreciation on revalued Fixed Assets | 1.09 | 1.16 |
| | <u>4120.18</u> | <u>4164.12</u> |

Schedule to the Balance Sheet and Profit & Loss Account**SCHEDULE 22 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

1. ACCOUNTING POLICIES :

(I) **Basis of Accounting :**

- (a) The Company prepares its accounts on accrual basis, except otherwise stated, in accordance with the normally accepted accounting principles.
- (b) Revenue from sale of goods and services rendered is recognised upon passage of title and rendering of services, to the customers.
- (c) Insurance and other claims, to the extent considered recoverable, are accounted for in the year of claim. However, claims and refunds whose recovery cannot be ascertained with reasonable certainty, are accounted for on acceptance/actual receipt basis.

(II) **Fixed Assets :**

- (a) Fixed Assets are stated at cost of acquisition inclusive of duties (net of cenvat), taxes, incidental expenses, erection/commissioning expenses, technical know-how fees and interest etc. upto the date the asset is put to use. In case of revaluation of fixed assets, the original cost as written up by the valuer, is considered in the accounts and the differential amount is transferred to capital reserve.
- (b) Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual useful life of the respective assets.

(III) **Foreign Currency Transactions :**

- (a) Foreign Currency transactions are recorded on the basis of exchange rates prevailing on the date of their occurrence.
- (b) Foreign currency assets and liabilities (other than those covered by forward contracts) as on the Balance Sheet date are revalued in the accounts on the basis of exchange rates prevailing at the close of the year and exchange difference arising therefrom, is adjusted to the cost of fixed assets or charged to the Profit & Loss Account, as the case may be.
- (c) In case of transactions covered by forward contracts, the difference between the contract rate and exchange rate prevailing on the date of transaction, is adjusted to the cost of fixed assets or charged to the Profit & Loss Account, as the case may be, proportionately over the contract period.

(IV) **Depreciation :**

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

(V) **Fixed Assets acquired under leases :**(a) **Finance Lease**

- (i) In respect of assets acquired prior to 1st April, 2001, the lease rentals are charged to Profit & Loss Account as and when accrued.

Schedule to the Balance Sheet and Profit & Loss Account

- (ii) In respect of assets acquired after April 1, 2001 which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to Expenses account.

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

(b) **Operating Lease**

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

(VI) **Investments :**

- (a) Current Quoted Investments are stated at lower of cost or market rate on individual investment basis. Unquoted and Long Term Investments are considered at cost, unless there is a permanent decline in value thereof, in which case, adequate provision is made there against in the accounts.
- (b) Investment in foreign company is considered at the exchange rates prevailing on the date of investment.

(VII) **Inventories :**

- (a) Inventories are valued at lower of cost, computed on annual / weighted / moving average basis or net realisable value.
- (b) The closing stock of materials inter-transferred from one unit to another is valued at cost of the transferor unit or net realisable value whichever is lower.
- (c) For the purpose of ascertaining 'cost', CENVAT credits are included in the respective inventories.
- (d) Discarded Fixed Assets awaiting disposal, are included in Inventories and valued at estimated realisable value.

(VIII) **Excise Duty & Customs Duty :**

Excise Duty on Finished Goods stock lying at the factories is accounted for at the point of manufacture, after taking into account the impact of cenvat element therein which although charged off to revenue due to inclusive method of accounting, remains recoverable as on the Balance Sheet date, with respect to the closing stock. Similarly, Customs Duty on Imported Materials in transit / lying in Bonded Warehouse is accounted for at the time of import / bonding of materials.

(IX) **Research and Development :**

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

(X) **Retirement Benefits :**

- (a) The Company has created an approved gratuity fund which has taken a group gratuity insurance policy with Life Insurance Corporation of India (LIC), for future payment of gratuity to the employees. The Company accounts for gratuity liability equivalent to the premium amount payable every year as per calculation made by LIC, which together with annual contributions in the subsequent years would be sufficient to cover the gratuity liability as and when it accrues for payment.
- (b) Leave liability for employees is accounted for on payment basis.
- (c) Retirement benefits in the form of contribution to Provident and Superannuation funds are charged to Profit & Loss Account in the year when these become due.
- (d) Lumpsum payments under Voluntary Early Retirement Scheme are treated as deferred revenue expenses.
- (e) Compensation payable under Voluntary Early Retirement Scheme envisaging monthly payments, are charged to Profit & Loss Account as and when payable.

Schedule to the Balance Sheet and Profit & Loss Account

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

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

(XII) **Borrowing Costs :**

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are considered as a part of the cost of those assets, while other borrowing costs are recognised as expenses in the year in which they are incurred.

(XIII) **Warranty Claims :**

Provision for warranty claims is made on the basis of claims received from the dealers upto the cut-off date.

(XIV) **Taxation :**

Provision for Income Tax comprises of current tax and deferred tax charge or release. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being difference between taxable and accounting income/expenditure that originate in one period and are capable of reversal in one or more subsequent period(s). Deferred tax assets are not recognised unless there is "virtual certainty" that sufficient future taxable income will be available against which such deferred tax assets will be realised.

(XV) **Segment Reporting :**

(a) **Identification of Segments :**

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

(b) **Allocation of Common Costs :**

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

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

(XVI) **Contingencies :**

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

(XVII) **Earning per share :**

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

(XVIII) **Deferred Revenue Expenditure :**

Deferred revenue expenditure are written off in five equal annual instalments. However such expenses incurred upto 31st March, 2003 continue to be written off in six equal annual instalments.

| | Rupees in lacs | |
|---|----------------|----------|
| | 2003-04 | 2002-03 |
| 2. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) | 337.16 | 596.84 |
| 3. Contingent Liabilities not provided for in respect of : | | |
| (a) Claims & Government demands against the Company not acknowledged as debts | 13730.20 | 15717.54 |

Schedule to the Balance Sheet and Profit & Loss Account

The Company does not expect any major impact to arise out of the above claims/demands.

Further, included in the above is a sum of Rs. 8583.52 lacs towards demand from sales tax authorities in respect of Chennai Car Plant, denying the benefit of sales tax waiver claimed by the Company since 1998-99. The Company has filed writ petitions in the Hon'ble Court of Chennai against the above demand.

Against the above claims/demands, payments have been made under protest and/or debts have been withheld by the respective parties, to the extent of Rs. 3223.53 lacs (Rs. 2228.68 lacs) including a sum of Rs. 2150.00 lacs deposited with sales tax authorities as per the direction of the Hon'ble High Court at Chennai while granting the stay of above recovery.

| | | Rupees in lacs | |
|-----|--|----------------|---------|
| | | 2003-04 | 2002-03 |
| (b) | Guarantee given to a Scheduled Bank on behalf of a subsidiary company | – | 5.00 |
| (c) | Outstanding Bank Guarantees for import of materials and other accounts | 1063.39 | 1865.58 |
| (d) | Bonus for the years 1963-64 to 1967-68 at Hindmotor unit which is under adjudication (amount indeterminate). The Company contends that no liability exists in this regard under the Payment of Bonus Act, 1965. | | |
| (e) | Municipal taxes for land and buildings at Hindmotor unit contested by the Company. The matter is pending before the Hon'ble High Court at Kolkata (amount indeterminate). | | |
| (f) | Demand for interest amounting to Rs. 2133.97 lacs (Rs. 2133.97 lacs) raised by Madhya Pradesh State Industrial Development Corporation, about whose waiver the Company has applied for and expects a favourable response from the authorities. | | |
| (g) | Sales Tax on works contracts and lease rentals (amount not ascertainable). | | |
| (h) | Income Tax matters under appeal (amount unascertained). | | |
| 4. | Fixed Assets include proportionate cost of a part of Building (on leasehold land) and other assets amounting to Rs. 75.48 lacs (Rs. 71.89 lacs) held in joint ownership basis with others at Kolkata, which have been charged against the amount payable as rent for land and proportionate share of expenses. | | |
| 5. | (a) Rupee Term Loans Rs. 1.45 lacs from Banks together with interest and other charges thereon, are secured by a pari passu mortgage charge on a part of the Company's land at Hindmotor, Trivellore, Halol, Pithampur and Hosur units, together with other immovable assets thereon, both present and future and by way of a pari passu hypothecation charge over all the movable assets pertaining to the Company's units at Hindmotor, Trivellore, Hosur, Halol and Pithampur (save and except stocks of raw materials, goods in process, finished goods and stores & spares not relating to plant & machinery and book debts). | | |
| | (b) Rupee Term Loans Rs. 14563.18 lacs from Financial Institutions and ICICI Bank Ltd. together with interest and other charges thereon, are secured by a pari passu mortgage charge on a part of the Company's land at Hindmotor, Trivellore, Pithampur and Hosur units together with other immovable assets thereon, both present and future and by way of a pari passu hypothecation charge over all the movable assets pertaining to the Company's units at Hindmotor, Trivellore, Hosur and Pithampur (save and except stocks of raw materials, goods in process, finished goods and stores & spares not relating to plant & machinery and book debts). | | |
| | (c) Rupee Term Loans Rs. 7750.00 lacs and Rs. 129.06 lacs from ICICI Bank Ltd. and a Scheduled Bank respectively, together with interest and other charges thereon are secured by way of a pari passu mortgage charge created on a part of the Company's land at Hindmotor, Trivellore, Pithampur and Hosur units, together with other immovable assets thereon, both present & future and by way of a pari passu hypothecation charge over all the movable assets pertaining to its units at Hindmotor, Trivellore, Hosur and Pithampur (save and except stocks of raw materials, goods-in-process, finished goods and stores & spares not relating to plant & machinery and book debts). | | |
| | (d) The Charges referred to above rank pari passu amongst various Financial Institutions/Banks. | | |
| | (e) Cash Credit/Packing Credit/FCNR Loan facilities Rs. 6998.94 lacs are secured against hypothecation of stocks and book debts and also by a subordinate mortgage charge on a part of the Company's land at Hindmotor, Pithampur, Trivellore and Hosur units together with other immovable assets thereon, both present and future. | | |
| | The mortgage charge referred to above will rank after the charges created in favour of Financial Institutions and Banks in respect of their Loans as described in (a) to (c) above. | | |

Schedule to the Balance Sheet and Profit & Loss Account

- (f) Short Term Loan Rs. 406.42 lacs from a Scheduled Bank together with interest and other charges thereon are secured by hypothecation of stocks and book debts on pari passu basis with the charges on Current Assets created in favour of consortium banks for working capital requirements.
6. The Company has duly complied with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 except in respect of the following matters for reasons mentioned therein :
- a) The Company, in view of the provisions of Section 145A of the Income Tax Act, 1961 has continued to follow the CENVAT inclusive method of accounting in respect of purchases, inventories, consumption etc. Further, as in the past, the amount of Cenvat element on inputs included in Closing Stock of finished goods as on the Balance Sheet date, although charged off to Revenue due to inclusive method of accounting, has been considered while making the provision for Excise duty at the close of the year, since the said amount remains recoverable with respect to the year end finished goods stock. Due to the above accounting method which is not in conformity with Accounting Standard-2, the loss for the year is higher by Rs. 163.76 lacs (after adjusting Rs. 1168.48 lacs being the Cenvat element included in the opening inventories).
 - b) In the opinion of the management, Leave is meant to be availed of and the employees have been advised to plan their leave in advance while in service and also immediately before Superannuation. Accordingly, Leave Encashment liability for the year has been recognised and provided for only when such encashment was allowed. The quantum of unprovided leave liability on actuarial basis works out to Rs. 396.17 lacs (Rs. 358.24 lacs) as on the Balance Sheet date.
 - c) The unprovided liability towards gratuity contribution to LIC, based on actuarial valuation as on the Balance Sheet date, works out to Rs. 2096.47 lacs (Rs. 2211.96 lacs) as per premium amount demanded by LIC which would be covered through payments in future years, to ensure that the accrued gratuity liability is paid off as and when due to the employees.
 - d) Compensation payable to employees, who have opted for the benefits under the Voluntary Early Retirement Scheme which envisages deferred payments on monthly basis, is being accounted for as and when payable. The present value of future monthly payments under the Scheme as on the Balance Sheet date as per actuarial valuation amounts to Rs. 1531.92 lacs (Rs. 1700.76 lacs).
7. Based on the Market quotations, there appears to be a shortfall of Rs. 64.14 lacs in the value of certain quoted investments as on the Balance Sheet date, which having regard to the long term involvement of the Company and being temporary in nature, has not been provided for.
8. Pending finalisation of agreements with workmen of Hindmotor and Trivellore units, minimum bonus liability has been provided.
9. Net deferred tax asset of Rs. 1905.31 lacs arisen upto 30th September 2003 has been credited to Profit & Loss Account and no credit for Rs. 1738.16 lacs being deferred tax asset for the period from 1st October 2003 to 31st March 2004 has been considered in the accounts, pending review of the Company's business plans in view of evolving business scenario.

The Break-up of Deferred Tax Asset as on 31st March, 2004 is as follows :-

| | Rupees in lacs | |
|---|----------------|----------|
| | 2003-04 | 2002-03 |
| (A) Deferred Tax Asset | | |
| (i) Carry forward unabsorbed business losses, depreciation | 10998.26 | 7709.93 |
| (ii) Expenses allowable against taxable income in future years | 2155.45 | 2485.37 |
| | 13153.71 | 10195.30 |
| (B) Deferred Tax Liability | | |
| (i) Timing difference in depreciable assets | 7209.08 | 7750.79 |
| (ii) Expenses claimed as deduction as per Income Tax Act but not booked in the accounts | 77.58 | 220.93 |
| | 7286.66 | 7971.72 |
| Net Deferred Tax Asset (A - B) | 5867.05 * | 2223.58 |

* Rs. 4128.89 lacs only considered in the accounts as stated above.

Schedule to the Balance Sheet and Profit & Loss Account

10. (a) Assets aggregating to Rs. 26.11 lacs (Rs. 26.11 lacs) were acquired on finance lease prior to 1st April, 2001, on which Lease rentals amounting to Rs. 7.83 lacs (Rs. 7.83 lacs) have been charged to Revenue Account during the year, in accordance with the terms and conditions of the lease agreement. Moreover, lease agreements for assets aggregating to Rs. 456.32 lacs (Rs. 456.32 lacs) have already expired. These assets are yet to be formally transferred to the Company by the respective lessors pending compliance of the necessary formalities.

- (b) The year wise break up of the outstanding obligation in respect of leased assets (not allowed to sub-leased) is as under : (Rs. in lacs)

| | Assets taken on lease | | Not later than 1 year | | Later than 1 year but not later than 5 years | | Later than 5 years |
|-----------------|--|---|------------------------|------------------------------|--|------------------------------|--------------------|
| | Total minimum Lease Payments at the year end | Present Value of Minimum Lease Payments | Minimum Lease Payments | Present Value as on 31.03.04 | Minimum Lease Payments | Present Value as on 31.03.04 | |
| Finance Lease | 67.73 | 51.54 | 23.50 | 21.81 | 44.23 | 29.73 | Nil |
| Operating Lease | - | - | 14.04 | - | 4.51 | - | Nil |

11. Consumption of Raw materials, stores and spare parts includes profit/loss on sale thereof.
12. In certain cases, excise duty on items transferred from one division to another for captive use has been accounted for based on actual payments at provisional rates. Additional liability, if any, in this regard will be accounted for on determination of the final rates, but it will have no impact on the Company's profitability, since the same will be claimable as cenvat benefit by the transferee unit.
13. Sundry Creditors include Rs. 1785.07 lacs (Rs. 1215.74 lacs) due to small scale and ancillary industrial undertakings (SSI) to the extent such parties have been identified from the available documents/information. The names of SSI Units to whom amounts are due for more than 30 days are furnished in the enclosed annexure. There being no claim from the parties, interest, on over-due payments, if any, is unascertainable and thus not provided for.

| | | Rupees in lacs | |
|---------|---|----------------|---------------|
| | | 2003-04 | 2002-03 |
| 14. (a) | Directors' Remuneration : | | |
| | Paid to Managing and Executive Directors | | |
| | Salary, Allowances etc. | 99.74 | 88.63 |
| | Contribution to Provident and Other Funds | 13.53 | 11.75 |
| | Others | 1.35 | 1.53 |
| | | 114.62 * | 101.91 * |
| | Directors' Fees | 3.00 | 2.70 |
| | | 117.62 | 104.61 |

* Represent Rs. 61.73 lacs (Rs. 54.94 lacs) paid to Mr. A. Sankaranarayanan, Managing Director Rs. 52.89 lacs (Rs. 46.97 lacs) paid to Mr. B.K. Chaturvedi, Executive Director and excludes taxable value of perquisites Rs. 0.19 lac (Rs. 0.61 lac).

- (b) In view of net loss under the provisions of Section 349 of the Companies Act, 1956, the detailed computation of profit for the purpose of Managerial Remuneration has not been furnished.
15. The balance amount of Rs. 723.46 lacs (Rs. 1011.25 lacs) due from Caterpillar India (P) Limited (CIPL) against the sale of erstwhile Earthmoving Equipment Division (EED) has been shown in Schedule 8 under the head "Sundry Debtors". The above amount, representing outstanding debts of the said division, would be paid by CIPL on actual realisation from the customers and any loss thereon is presently not ascertainable. Against this, a provision of Rs. 402.56 lacs has, however, been made by the Company as a matter of abundant caution.

| 16. Earnings per share (EPS) : | | 2003-04 | 2002-03 |
|--|---|-----------|-----------|
| In terms of Accounting Standard-20, the calculation of EPS is given below :- | | | |
| | Loss as per accounts (Rs. in lacs) | 8094.71 | 2673.84 |
| | Weighted average No. of Equity Shares outstanding during the year | 161171993 | 161171993 |
| | Nominal value of Shares (Rs.) | 10 | 10 |
| | Basic and Diluted EPS | - 5.02 | - 1.66 |

Schedule to the Balance Sheet and Profit & Loss Account

17. Disputed / Doubtful Debts, Claims and Advances etc. aggregating to Rs. 915.74 lacs (Rs. 992.08 lacs) have not been provided for, pending final settlement of relevant matters. However, the Company is hopeful to recover the above debts, claims etc.

Related Party Disclosures :

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

| | |
|---------------------------------------|---|
| Subsidiary Companies | HM Export Ltd. Hindustan Motor Finance Corporation Ltd. Hindustan Motors Limited, USA |
| Key Management Personnel | Shri A. Sankaranarayanan Shri B. K. Chaturvedi |
| Relatives of Key Management Personnel | Mrs. A. R. Chandrika – Wife of Mr. A. Sankaranarayanan |

(b) **Aggregated Related Party Disclosures as at and for the year ended 31st March, 2004**

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

(Rupees in lacs)

| | Subsidiary Companies | | | Key Management Personnel* | Relative of Key Management Personnel | Total |
|----------------------------------|----------------------|------------------------|--------------------|---------------------------|--------------------------------------|----------------------------------|
| | HML, U.S.A. | HM Finance Corpn. Ltd. | HM Export Ltd. | Mr. B.K. Chaturvedi | | |
| Sales | – (–) | – (–) | 285.03 (621.42) | – (–) | – (–) | 285.03 (621.42) |
| Interest Paid | – (–) | 0.48 (–) | 13.04 (15.21) | – (–) | – (–) | 13.52 (15.21) |
| Purchase of Assets | – (–) | – (–) | – (–) | – (–) | – (250.00) | – (250.00) |
| Sale of Assets | – (–) | – (–) | – (–) | – (–) | – (187.00) | – (187.00) |
| Intercompany Loans taken and due | – (–) | 25.00 (–) | 100.00 (100.00) | – (–) | – (–) | 125.00 (100.00) |
| Debtors, Loans & Advances | – (–) | 9.23 (–) | – (87.92) | 8.43 (8.61) | – (–) | 17.66 (96.53) |
| Creditors & Other Payables | 6.35 (–) | 0.38 (–) | 62.18 (2.72) | – (–) | – (–) | 68.91 (2.72) |
| Investment | 16.25 (–) | 25.05 (25.05) | 0.21 (0.21) | – (–) | – (–) | 41.51 (25.26) |
| Misc. Expenses | 25.84 (–) | – (–) | – (–) | – (–) | – (–) | 25.84 (–) |
| Selling Expenses | – (–) | – (–) | 1.05 (5.15) | – (–) | – (–) | 1.05 (5.15) |
| Dividend Received | – (–) | – (–) | 10.50 (10.50) | – (–) | – (–) | 10.50 (10.50) |

* Excludes Rs. 114.62 lacs (Rs. 101.91 lacs) being remuneration to Managing / Executive Director as disclosed vide Note No. 14(a) above.

Schedule to the Balance Sheet and Profit & Loss Account

19. The Company's segment information as at and for the year ended 31st March, 2004 are as below :-

(Rupees in lacs)

| | <u>Automobiles</u> | <u>Transmissions</u> | <u>Others</u> | <u>Total</u> |
|--|---|---|-------------------------------------|---|
| (a) Revenue * | | | | |
| External Net Sales | 63391.49 <i>(82264.40)</i> | 9521.91 <i>(6941.26)</i> | 6.93 <i>(11.57)</i> | 72920.33 <i>(89217.23)</i> |
| Less : Inter Transfer | – <i>(–)</i> | – <i>(–)</i> | – <i>(4.77)</i> | – <i>(4.77)</i> |
| Revenue | <u>63391.49</u> <u><i>(82264.40)</i></u> | <u>9521.91</u> <u><i>(6941.26)</i></u> | <u>6.93</u> <u><i>(6.80)</i></u> | <u>72920.33*</u> <u><i>(89212.46)*</i></u> |
| (b) Results | | | | |
| Segment Results | –6085.58 <i>(183.86)</i> | 2216.99 <i>(1568.03)</i> | –228.93 <i>(–51.25)</i> | –4097.52 <i>(1700.64)</i> |
| Unallocated Expenses net of unallocated Income | | | | –358.67 <i>(– 257.00)</i> |
| Profit | | | | –4456.19 <i>(1443.64)</i> |
| Interest Expenses | | | | 5534.83 <i>(5485.81)</i> |
| Wealth Tax | | | | 9.00 <i>(11.00)</i> |
| Deferred Tax Asset | | | | 1905.31 <i>(1379.33)</i> |
| Net Loss | | | | <u>8094.71</u> <u><i>(2673.84)</i></u> |
| (c) Total Assets | | | | |
| Segment Assets | 56568.15 <i>(68700.36)</i> | 7349.93 <i>(6974.54)</i> | 108.50 <i>(333.25)</i> | 64026.58 <i>(76008.15)</i> |
| Unallocated Corporate Assets | | | | 5187.44 <i>(4299.74)</i> |
| | | | | <u>69214.02</u> <u><i>(80307.89)</i></u> |
| (d) Total Liabilities | | | | |
| Segment Liabilities | 23161.85 <i>(25715.77)</i> | 1175.18 <i>(867.92)</i> | 36.30 <i>(17.46)</i> | 24373.33 <i>(26601.15)</i> |
| Unallocated Corporate Liabilities | | | | 115.37 <i>(155.87)</i> |
| | | | | <u>24488.70</u> <u><i>(26757.02)</i></u> |
| (e) Other Information | | | | |
| (i) Non cash expenses included in segment expenses for arriving at Segment Results (Deferred Revenue Expenses written off) | 384.67 <i>(399.78)</i> | 19.34 <i>(19.34)</i> | 65.84 ** <i>(65.84) **</i> | 469.85 <i>(484.96)</i> |
| ** Unallocated portion | | | | |

Schedule to the Balance Sheet and Profit & Loss Account

(Rupees in lacs)

| (ii) | Capital Expenditure | | Depreciation | |
|--------------|----------------------------|----------------|---------------------|----------------|
| | 2003-04 | 2002-03 | 2003-04 | 2002-03 |
| Automobiles | 957.00 | 2007.51 | 3934.23 | 3958.31 |
| Transmission | 265.32 | 93.21 | 174.62 | 197.32 |
| Others | 18.37 | 1.89 | 11.33 | 8.49 |
| | 1240.69 | 2102.61 | 4120.18 | 4164.12 |

(f) **Geographical Segments**

Revenue *

| | | |
|----------|-----------------|-----------------|
| India | 71893.21 | 87935.34 |
| Overseas | 1027.12 | 1277.12 |
| | 72920.33 | 89212.46 |

* Net of Excise Duty and Sales Tax

Notes :

(i) Business Segment : The business segments have been identified on the basis of the products of the Company. Accordingly, the Company has identified "Automobiles" & "Transmissions" as the operating segments :

Automobiles – Consists of manufacture and sale of Passenger Cars, Utility Vehicles & Trucks and Components & Accessories thereof.

Transmissions – Consists of Automatic Powershift Transmissions & Components thereof for off-highway and on-highway applications.

Others – Service Operations consisting less than 10% of the Revenue.

(ii) Geographical Segment : The Company primarily operates in India and therefore the analysis of geographical segments is demarcated into its Indian and Overseas Operations.

(iii) Total carrying amount of segment assets by geographical location of assets, for the Company's overseas operations are below 10% of the total assets of all segments, and hence not disclosed.

20. Details of Research & Development Cost (Rupees in lacs)

| | Capital Expenditure | | Revenue Expenditure | | Deferred Revenue Expenditure** | |
|---------------------|----------------------------|---------|----------------------------|----------|---------------------------------------|----------|
| | | | | | | |
| HINDMOTOR UNIT * | 67.62 | (28.57) | 259.25 | (264.14) | 53.32 | (80.10) |
| HOSUR UNIT * | - | (-) | 59.35 | (54.48) | 31.10 | (50.45) |
| INDORE UNIT (PUP) * | - | (-) | 247.56 | (144.77) | - | (35.47) |
| CHENNAI CAR PLANT | - | (-) | 3.82 | (3.82) | - | (-) |
| INDORE UNIT (RTV) | 6.06 | (-) | 100.70 | (135.55) | - | (2.22) |
| | 73.68 | (28.57) | 670.68 | (602.76) | 84.42 | (168.24) |

* Approved Centres

** Pending Amortisation

Schedule to the Balance Sheet and Profit & Loss Account

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

| | Rupees in lacs | |
|--|----------------|---------|
| | 2003-04 | 2002-03 |
| EXPENSES | | |
| Raw Materials and Components | 122.31 | 147.82 |
| Stores and Spares | 279.09 | 294.39 |
| Machinery Repairs | 456.20 | 489.34 |
| Selling Expenses, Service Charges, Claims etc. | 349.12 | 19.76 |
| Interest | 6.18 | 10.17 |

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

22. **C.I.F. Value of Imports during the year :**

| | | |
|---------------------------------|---------|----------|
| (i) Raw Materials | 89.63 | 454.10 |
| (ii) Components and Spare Parts | 8277.99 | 12394.62 |
| (iii) Capital Goods | 296.81 | 424.84 |

23. **Expenditure in Foreign Currency**

(subject to deduction of Tax and R.B.I. approval, wherever applicable) [to the extent charged to Profit & Loss Account] :

| | | |
|--|--------|--------|
| (i) Royalties, Technical Know-how Fees and other charges | 395.49 | 538.05 |
| (ii) Interest | 7.62 | 20.18 |
| (iii) Other matters | 177.10 | 223.93 |

24. **Earnings in Foreign Exchange :**

| | | |
|--|--------|---------|
| (i) Export of goods on F.O.B. basis (including inland sales which qualify for export Incentives) | 930.38 | 1195.38 |
| Insurance, Warranty Claims & Others | 63.22 | 52.46 |

25. **Details of Raw Materials and Components consumed (including unserviceable and/or damaged items written down and/or written off) :**

| | Rupees in lacs | | | | |
|---|----------------|---------|----------|---------|----------|
| | | 2003-04 | | 2002-03 | |
| | Unit | Qty. | Amount | Qty. | Amount |
| Steel Sheets, Plates & Flats | M/T | 7276 | 2252.47 | 8553 | 2289.21 |
| Bars, Billets, Channels & Angles | M/T | 2972 | 953.32 | 3860 | 1175.74 |
| Pig Iron & Scrap | M/T | 1472 | 199.45 | 1659 | 159.50 |
| Non-Ferrous Metal | M/T | 46 | 45.59 | 57 | 57.11 |
| Tyres & Tubes | Pcs. | 79835 | 767.55 | 109325 | 1048.52 |
| CKD for Dumpers, Loaders, Tractors & Transmissions | Sets | 800 | 1935.41 | 593 | 1065.88 |
| Other Production Stores and Components (including processing charges) | | | 34512.19 | | 45805.22 |
| | | | 40665.98 | | 51601.18 |
| Cost of Boughtout Components and Service Parts Sold | | | 6324.66 | | 8014.93 |
| | | | 46990.64 | | 59616.11 |

Schedule to the Balance Sheet and Profit & Loss Account

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

| | Raw Materials and Components | | | | Stores and Spares | | | |
|--|------------------------------|-----|------------|-----|-------------------|-----|------------|-----|
| | 2003-04 | | 2002-03 | | 2003-04 | | 2002-03 | |
| | Rs. (Lacs) | % | Rs. (Lacs) | % | Rs. (Lacs) | % | Rs. (Lacs) | % |
| Indigenous | 30943.78 | 76 | 35853.97 | 69 | 2707.07 | 96 | 2921.63 | 96 |
| Imported : | | | | | | | | |
| a) CIF Value (Approx.) | 6907.60 | 17 | 11213.29 | 22 | 88.76 | 3 | 94.90 | 3 |
| b) Duty, Port Charges, Transport etc. (Approx.) | 2936.91 | 7 | 4681.74 | 9 | 22.44 | 1 | 39.94 | 1 |
| | 9844.51 | 24 | 15895.03 | 31 | 111.20 | 4 | 134.84 | 4 |
| | 40788.29 | 100 | 51749.00 | 100 | 2818.27 | 100 | 3056.47 | 100 |

HINDUSTAN MOTORS LIMITED

Schedule to the Balance Sheet and Profit & Loss Account

27. Quantitative information :
Installed Capacity, Production, Stocks & Sales of Goods Produced/Traded during the year

| Class of Goods | Unit | Installed Capacity | Production | Opening Stock | | Closing Stock | | Sales (a) | |
|---|------------|--------------------|-----------------------|---------------|--------------------------|----------------|--------------------------|---------------|-----------------------------|
| | | | | Qty. | Rs. (in lacs) | Qty. | Rs. (in lacs) | Qty. | Rs. (in lacs) |
| 1. On Road Automobiles having four or more wheels (including Engines, Transmissions, Axles and Spare Parts thereof) | Nos. | 64000 (b) | 15855 (21593) | 1023 (480) | 3173.44 (1544.15) | 374 (1023) | 1269.65 (3173.44) (c) | 16504 (21050) | 64870.15 (88717.90) |
| 2. Steel Products (d) | Tonnes | 18000 | 4347 (e) (5395) | - (-) | - (-) | - (-) | - (-) | - (-) | 30.64 (108.72) |
| 3. Power Shift Transmission & Torque Convertors (in range of 100HP – 800HP) | Nos. | 1000 | 800 (594) (e) | 18 (16) | 125.89 (120.54) | 18 (18) | 122.24 (125.89) | 800 (592) | 5423.38 (3382.30) |
| 4. Hydraulic Pump | Nos. | (f) | 214 (e) (240) | 49 (55) | 7.43 (6.49) | 9 (49) | 1.37 (7.43) | 254 (246) | 41.07 (40.01) |
| 5. Hydraulic Valves | Nos. | (f) | 134 (e) (88) | 32 (24) | 0.87 (0.80) | 39 (32) | 1.88 (0.87) | 127 (80) | 2.66 (1.85) |
| 6. Manufactured Components & Service Parts for sale | Rs.(lacs) | - | 4491.51 (g) (5196.15) | - (-) | 372.03 (294.48) | - (-) | 234.89 (372.03) | - (-) | - (-) (h) |
| Total : | | | | | 3679.66 (1966.46) | | 1630.03 (3679.66) | | 70367.90 (92250.78) |
| 7. Boughtout Vehicles, Components & Service Parts for sale | Rs. (lacs) | - | 5902.82 (8576.81) | | 2393.28 (1904.53) | | 1911.55 (2393.28) | | 12059.50 (14109.21) (h) |
| 8. Job Charges | Rs. (lacs) | - | - | - (-) | - (-) | - (-) | - (-) | - (-) | 2793.84 (390.35) |
| 9. Others (Including Semi-Finished Goods) | Rs. (lacs) | - | - | - (-) | - (-) | - (-) | - (-) | - (-) | 666.83 (722.70) |
| | | | | | | Total : | | | 85888.07 (107473.04) |

Schedule to the Balance Sheet and Profit & Loss Account**Quantitative Information :****Installed Capacity, Production, Stock & Sales of Goods Produced / Traded during the year : (Contd.)**

- (a) Includes excise duty, sales tax, export incentives, insurance claims, transportation & delivery charges and after adjusting incentives / discounts and sales returns for earlier years Rs. 353.57 lacs (Rs. 162.47 lacs).
- (b) The installed capacity of the plants is not balanced in different manufacturing stages. As a result, in many stages, the capacity is more whereas in some stages, it is less than mentioned above.
- (c) Includes Rs. 374.74 lacs (Rs. 398.91 lacs) in respect of Engines & Transmissions.
- (d) Includes Alloy Steel and Mild Steel Forgings & Grey Iron Castings.
- (e) Including used for own consumption and for different end-products.
- (f) Manufactured within the installed capacity of Transmission.
- (g) As estimated sale value.
- (h) Sales value of own manufactured spare parts being unascertainable, the same have been grouped under this head.
1. The installed Capacities are certified by the Management and accepted as correct by the Auditors.
 2. Installed capacities as on 31.3.2003 and 31.3.2004 are identical. Further, licensed capacity has not been given above in view of the delicensing of various products.
28. Previous year's figures (including those which are in brackets) have been regrouped / rearranged wherever necessary.

Signatures to Schedules 1 to 22

In terms of our attached Report of even date.

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

May 24, 2004.

T. E. S. Varadhan
Sr. Vice President – Corporate Finance

G. N. Pareek
Secretary

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

A. Sankaranarayanan
Managing Director

Annexure to Note No. 13 on Schedule 22 to the Accounts**Names of SSI Units to whom amounts are due for more than 30 days as on 31.03.2004.**

21ST CENTURY AUTOLOCKS P. LTD.
A G ENTERPRISES
ACE ENGINEERING & CHEMICALS
ACE PRECISION WORKS
ADVANCE ELECTRONICS
AGRAWAL RUBBER PRODUCTS
AGYA AUTO LTD.
ALANKAR TOOLS PVT. LTD.
ALPUMP (P) LTD.
AMRITA ENGG. & TRADING CO.
ANAND METAL ROOFING
ANIRAJ ENGINEERING & CONSULTANT
ANK SEALS
ANUPAM INDUSTRIES
ANY GRAPHICS PVT. LTD.
ARIHANT INDUSTRIAL ENTERPRISES
ARK ENGINEERS
ARTECH ENGINEERING
ARVIND ENGINEERING WORKS LTD.
ASHIRVAD ELECTRONICS
ASSOCIATED MANUFACTURERS (I) LTD.
ASSOCIATED MANUFACTURING
ATOP PRODUCT (P) LTD.
AUTO ENGINEERS
AUTO UPHOLSTERY
B G INDUSTRIES
B. I. ENTERPRISE
BAHETI TRADING
BALDEODAS GAJANAND AUTO SPARES
BALZERS (INDIA) LTD.
BHARAT AUTOMOTIVE PRESSINGS (P) LTD.
BELON METAL WORKS
BEMCO INDIA (PVT) LTD.
BENARA UDYOG LTD.
BENGAL ENGINEERING WORKS
BEST CAST PVT. LTD.
BHAIYA PRINTERS
BHANDARI FABRICATORS
BHARAT EXPORTS LIMITED
BHARAT SAFETY GLASS PVT. LTD.
BHARTIA INDUSTRIES
BHAVANI INDUSTRIES
BOMBAY COMMERCIAL SYNDICATE
BRITE RUBBER INDUSTRIES
BRITISH MOTOR CAR
CHANDA ENTERPRISES
CHAWLA BEARINGS
CHETAK AUTO ENGINEERING PRODUCTS PVT. LTD.
CIRCLIPS INDIA
CLIFTON INDUSTRIES
CRS ENGINEERING WORKS
D. P. AUTO INDUSTRIES
DAGA ENGINEERING INDUSTRIES
DAGA INDIA
DECCAN HYDRAULICS PVT. LTD.
DECISIVE ENGINEERING
DEEPA ENTERPRISES
DEWAS HYDROQUIP PVT. LTD.
DIPA TRADING
DIVERSITECH GENERAL ENGINEERING (P) LTD.
DIVGI METALWARES PVT. LTD.
DRONKAR & BROS.
DYNAMIC INDUSTRIES LTD.
EBM - NADI INTERNATION
ELLORA TRADING LIMITED
EMDET JAMSHEDPUR (P) LTD.
EMERGENCY KITS INDIA PVT. LTD.
ESKO DIE CASTING PVT. LTD.
EUREKA RUBBER INDUSTRIES
EVERHAPPY PLASTICS
EVERHAPPY PRODUCTS
EXCEL AUTO INDUSTRIES
EXHAUST MANUFACTURING
FAABER PAINTS PRIVATE LTD.
FIBREGLASS MOULDERS & FABRICATOR
FIBRO FAB
FRANCO SPRING COMPANY
FURMECH ENGINEERS (INDORE) LTD.
GAJANAN METAL WORKS
GERB
GHAZIABAD PRECISION PROD. P. LTD.
GORAJ ENTERPRISES
GRAMOS CHEMICALS (I) PVT. LTD.
GRAVITY DIE CASTERS
GREY ENGG. WORKS
H. H. ENGINEERING
H. N. ENTERPRISES
HEM ELECTRIC MFG. CO. PVT. LTD.
HIND CASTING & ENGG. WORKS
HINDUSTAN MANUFACTURER
HINDUSTAN SPRINGS
HINDUSTAN TOOLS INDUSTRIES
HITECH ENGINEERS
HI-TECH METAL FORMING (I) LTD.
HONEYWELL ENTERPRISE
IMPERIAL AUTO INDUSTRIES LTD.
INDIA TRADE CENTRE
INDICATION INSTRUMENTS LTD.
INDO SCHOTTLE AUTO PVT. LTD.
INDOMAN ENGINEERING WORKS
INDORE CNC LTD.
INNPRO SOLUTIONS

Annexure to Note No. 13 on Schedule 22 to the Accounts

Names of SSI Units to whom amounts are due for more than 30 days as on 31.03.2003. (Contd.)

| | |
|---------------------------------------|------------------------------------|
| J P AGARWALLA & SONS | PIONEER ENGINEERS |
| JAI RUBBER INDUSTRIES | PLASTO-CHEM PVT. LTD. |
| JAY & JAY INDUSTRIES | POLYMECH |
| JAY BHARAT EXHAUST SYSTEMS LTD. | POLYRUB EXTRUSIONS (INDIA) |
| JAY SWITCHES (I) PVT. LTD. | POWER LINE CORPORATION |
| JYOTI POLYTHENE INDUSTRIES | PRABHA ENGINEERING PVT. LTD. |
| K.P. INDUSTRIES | PRAHALAD ENTERPRISES |
| KAILASH CHANDRA & BROTHERS | PRECI METCUT |
| KANAL ENTERPRISES | PRECISION ENGINEERING WORKS |
| KANCHAN PRECISIONS PVT. LTD. | PRECISION FORGINGS |
| KAY GEE FOAM PV | PREMIER INSTRUMENTS & CONTRL. LTD. |
| KEJRIWAL ALLOYS & METALS PVT. LTD. | PRESS-N-FAB INDUSTRIES |
| KIRAN UDYOG | PRESSWELL |
| KLIPCO PVT. LTD. | PURELEC CARBON INDIA PVT. LTD. |
| KRANTI | PYNE CHEMICAL PRODUCTS |
| KULKARNI FABRICATORS | QUALITY ELECTROPLATERS |
| KWALITY SILENCERS INDUSTRIES | QUALITY PRESSINGS |
| LAL PLASTIC PRODUCTS | R B TRADING & MFG. CO. |
| MACHINE TOOLS (I) PVT. LTD. | R K INDUSTRIES |
| MADHAN ENGINEERING I | R S INDUSTRIES |
| MADRAS AIRFILTERS PVT. LTD. | RAKSHA INDUSTRIES |
| MAHANAGAR ENGINEERING PVT. LTD. | RAMESH & CO. |
| MALAY ENGINEERING | RANGRAJ ELECTRO PRODUCTS PVT. LTD. |
| MANMOHAN INDUSTRIES (REGD.) | RATAN ENGINEERING WORKS |
| MANTRI UDYOG LIMITED | RATAN ENTERPRISE |
| MANU ENGINEERING SERVICE | RATAN PLASTICS PRIVATE LTD. |
| MAX ENGINEERS | S D ENGINEERING WORKS |
| MAYANK METAL | S G INDUSTRIES |
| MEHTA BROTHERS | S J AUTOMAC PVT. LTD. |
| MESSUNG SYSTEMS | SABITA AUTO PRODUCTS |
| METAL FORGER AND FABRICATORS | SAFEWAY PACKAGINGS PVT. LTD. |
| MICRO TURNERS | SAKS ANCILLARIES (P) LTD. |
| MIPALLOY | SAMSONS RUBBER INDUSTRIES P. LTD. |
| MOHALANOBISH ENGINEERING | SANGAMESH ALLIED TOOLS |
| MOHAN INDUSTRIES | SANKALP AN INDUSTRIA |
| N B S RUBBER INDUSTRIES | SARBAMANGALA ENGINEERING WORKS |
| NATESAN SYNCHROCONES P. LTD. | SARCO |
| NATIONAL CORK SHEET CO. | SASTHA INDUSTRIAL CORPORATION |
| NEERAJ SALES | SATURN ENGINEERING |
| NEW S.B. ENTERPRISES | SATYEN BROTHERS |
| NEW SWAN ENTERPRISES | SAVE FIRE SERVICES PVT. LTD. |
| OMEGA ENTERPRISES | SAWALKA KEL PVT. LTD. |
| PADMINI ENGINEERING PVT. LTD. | SEAL JET SEALS |
| PANCHSHEEL FILTERS PVT. LTD. | SHASTA ENGINEERING ENTERPRISES |
| PARACOAAT PRODUCTS LTD. | SHIV SHAKTI INDUSTRIES |
| PARAGAN PAINTS | SHIVA ENTERPRISES |
| PEARL PLASTIC PRODUCTS | SHRADDHA SERVICES |
| PEOPLES ENTERPRISE PVT. LTD. | SHREE AMBICA IRON INDUSTRIES |
| PERFECT GLOVES & WORKS WEAR PVT. LTD. | SHREE PEST CONTROL |
| PREMAG TRADE LINK | SHREE POMANI METALS |
| PHIROZE SEPHNA PVT. LTD. | SHREE SHYAMDEV UDYOG |

Annexure to Note No. 13 on Schedule 22 to the Accounts

Names of SSI Units to whom amounts are due for more than 30 days as on 31.03.2003. (Contd.)

| | |
|---|-------------------------------------|
| SHUBHAM MARKETING | SUYASH ENTERPRISES |
| SHWETA ENGINEERING | SWARAJ TECHNOCRAFTS |
| SIG-NET RUBBER (I) PVT. LTD. | SWASTIK AGENCY |
| SOMANI BROTHERS | SW WIRING TECHNOLOGIES |
| SONI AUTO & ALLIED INDUSTRIES PVT. LTD. | TECH-FORCE COMPOSITS PVT. LTD. |
| SONU ENGINEERING | TECHNO DYNE SYSTEMS & SERVICES |
| SPECTRA TOOLS | TELE-COM SYSTEMS |
| SPEPP ENGINEERING WORKS | TEXPIN BEARINGS LTD. |
| SRI BHAGAVATHY TOOLINGS & PRESSINGS | THACKER BROTHERS |
| STANLEY SEATINGS | TIGHT WELL FASTENERS |
| STAR AUTO INDUSTRIES | TINKU ENTERPRISE |
| STEAD FAST ENGINEERS | TIRUPATI INDUSTRIES |
| STERIMED SURGICALS (I) PVT. LTD. | TOOL MASTER |
| STRIDENT POLYMERS (I) PVT. LTD. | TRINITY INDUSTRIAL SALES & SERVICE |
| STUSER TOOLS PVT. LTD. | TRUFIT FASTENERS PVT. LTD. |
| SUDARSHAN INDUSTRIES | TULSI RUBBER PRODUCTS |
| SUJAN INDUSTRIES | UNITED ENGINEERS & CO. |
| SUMAN AUTO PRODUCTS | UNITED RUBBER INDUSTRIES |
| SUMAN INDUSTRIES | UNIVERSAL ENGINEERING |
| SUMIT TECHNISCH & ENGG. (P) LTD. | UNIVERSAL ENGINEERS |
| SUMITSU ENTERPRISES | UNIVERSAL WIRE FORMS |
| SUN INDUSTRIES | USHA FIRE SAFETY EQUIPMENTS P. LTD. |
| SUNNY ENTERPRISES | VIBROMECH ENGRS. & SERVICE LTD. |
| SUPER AUTO SPARES | VINMAN ENGG. PVT. LTD. |
| SUPER CASTING | VINOD INDUSTRIES |
| SUPERFLEX RUBBERS | VIPRA MACHINE TOOLS PVT. LTD. |
| SURAJ GENERAL ENGINEERS (P) LTD. | VIR RUBBER PRODUCTS PVT. LTD. |
| SURAJ INDUSTRIAL CORPORATION | WALKER AUTOMOTIVES PVT. LTD. |
| SURYA ELECTRICALS | WINDSTON SPRINGS PVT. LTD. |
| SURYA FIBRES | WINNERS MARKETING |
| SUVEGA INDUSTRIES | ZALANI SONS |

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

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

| | | | |
|--------------------|------------|------------|----|
| Registration No. | 18967 | State Code | 21 |
| Balance Sheet Date | 31.03.2004 | | |

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

| | | | |
|--------------|-----|-------------------|-----|
| Public Issue | Nil | Rights Issue | Nil |
| Bonus Issue | Nil | Private Placement | Nil |

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

| | | | |
|-------------------|---------|--------------|---------|
| Total Liabilities | 5523370 | Total Assets | 5523370 |
|-------------------|---------|--------------|---------|

Sources of Funds

| | | | |
|-----------------|---------|--------------------|--------|
| Paid up Capital | 1612568 | Reserves & Surplus | 176772 |
| Secured Loans | 3099402 | Unsecured Loans | 634628 |

Application of Funds

| | | | |
|--------------------|---------|-------------------|----------|
| Net Fixed Assets | 3191029 | Investments | 14961 |
| Net Current Assets | 810972 | Misc. Expenditure | 455570 * |
| Accumulated Losses | 1050838 | | |

* Including Deferred Tax Assets

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

| | | | |
|--|-----------|-------------------|---------|
| Turnover | 7390325 * | Total Expenditure | 8389427 |
| Loss before Tax | 999102 | Loss after Tax | 809471 |
| Earnings per Share (Basic & Diluted) (Rs.) | -5.02 | Dividend rate % | Nil |

* Including Other Income

V. Generic Names of three Principal Products of Company.

| Item Code No. (ITC Code) | Product Description |
|---------------------------------|--|
| 870300 | MOTOR VEHICLES FOR PASSENGERS |
| 870410 | MOTOR VEHICLES FOR TRANSPORT OF GOODS |
| 848340 | AUTOMATIC POWERSHIFT TRANSMISSIONS AND TORQUE CONVERTERS |

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

| | | | |
|---|--|--------------------------------------|--------------------------------------|
| a) Name of Subsidiaries | 1) Hindustan Motor Finance Corporation Limited | 2) HME Export Limited | 3) Hindustan Motors Limited, USA |
| b) Holding Company's Interest | Holders of entire subscribed capital | Holders of entire subscribed capital | Holders of entire subscribed capital |
| c) Net aggregate amount of subsidiaries' Profit or Losses which concerns the members of Hindustan Motors Limited to the extent mentioned above and not dealt with in the Company's accounts : | | | |
| i) For the Subsidiaries' financial year ended 31-3-2004 | Profit Rs. 24,32,223 | Profit Rs. 2,27,325 | Loss Rs. 3,10,663 |
| ii) For the previous financial years, since these companies became subsidiaries. | Profit Rs. 36,37,550 | Profit Rs. 1,24,97,136 | Not applicable |

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

T. E. S. Varadhan
Sr. Vice President – Corporate Finance

G. N. Pareek
Secretary

A. Sankaranarayanan
Managing Director

9/1, Rajendra Nath Mukherjee Road,
Kolkata 700 001, the 24th May, 2004.

Report of the Directors

To the Shareholders,

The Directors have pleasure in presenting their Report and the Audited Accounts of the Company for the year ended 31st March, 2004.

The revenue account for the year ended 31st March, 2004 shows a profit of Rs. 24,26,095 after providing Rs. 3,37,298 towards provision for non-performing assets, Rs. 11,55,000 for taxation and Rs. 2,81,301 in respect of Deferred Tax Assets. After taking into account the credit balance of Rs. 36,43,006 brought forward from previous year and liabilities in respect of Interest Tax refunds for previous years and excess provision of Income Tax aggregating to Rs. 6,128 there remains a surplus of Rs. 60,75,229 which is proposed to be carried forward.

The recently commenced bullet proofing business had contributed significantly towards increasing the profitability of the Company. During the year under review, 17 vehicles had been bullet proofed resulting in a revenue of Rs. 40 lakhs approximately.

During the year under review, the Company has done hire-purchase business on 2 vehicles as against 13 in the previous year.

Directors' Responsibility Statement

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

- A that in the preparation of the annual accounts, for the year ended 31st March, 2004, all the applicable accounting standards prescribed by the Institute of Chartered Accountants of India, have been duly complied with by the Company.
- B that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year.
- C that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- D that the Directors have prepared the annual accounts on a going concern basis.

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

Pursuant to the requirement of proviso to Section 383A(1) of the Companies Act, 1956 Compliance Certificate from a Secretary in whole-time practice is enclosed.

The Auditors have drawn your attention to Note No. 6 appearing on Schedule 14 to the accounts. This note is self-explanatory and does not need any further explanation.

Shri N R Kulkarni retires from the Board of Directors by rotation and is eligible for re-appointment.

Messrs. S. R. Batliboi & Co., Auditors of the Company also retire and are eligible for re-appointment.

9, Hemant Basu Sarani
Kolkata-700 001, the 24th May, 2004

S. P. Singhi
G. N. Pareek
U. C. Tiwari
DIRECTORS

COMPLIANCE CERTIFICATE

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

Regn. No. : 21-8866

Nominal Capital of the Company : Rs. 200 Lacs (as on 31-03-2004)

To,
The Members
MESSRS. HINDUSTAN MOTOR FINANCE CORPORATION LIMITED
9, HEMANTA BASU SARANI
KOLKATA - 700 001

We have examined the registers, records, books and papers of Messrs. **HINDUSTAN MOTOR FINANCE CORPORATION LIMITED** (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company **for the financial year ended on 31st March, 2004** (financial year). In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year :

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies within the time prescribed, except commented otherwise in the relevant column of the Annexure 'B', under the Act and the rules made thereunder. However, no form was required to be filed with the Regional Director, Central Government, Company Law Board or other authorities.
3. The company is not a Private Limited company.
4. The Board of Directors duly met 7 (seven) times respectively on 16/05/2003, 16/07/2003, 25/08/2003, 06/11/2003, 09/12/2003, 06/02/2004 and 26/03/2004 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company has not closed its Register of Members during the financial year.
6. The Annual General Meeting for the financial year ended on 31st March, 2003 was held on 16th July 2003 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra Ordinary General Meeting was held during the financial year.
8. The Company has not advanced any loan to its directors or persons or firms or companies referred to in section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act during the financial year.
10. There was no transaction that was required to be entered in the register maintained under Section 301 of the Act except the notices received under section 299 (3) of the Act which have been entered in the register.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, Members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. The Company :
 - (i) Has not made any allotment/transfer/transmission of any securities during the financial year and hence there was no requirement of delivery of certificates.
 - (ii) Has not deposited any amount in separate Bank Account as no dividend was declared during the financial year.
 - (iii) Was not required to post dividend warrants to any members of the company as no dividends was declared during the financial year.

- (iv) Was not required to transfer any amount to Unpaid Dividend Account of the Company with any bank as there was no unpaid or unclaimed dividend.
 - (v) The company has duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the company was duly constituted. However, there was no appointment of Additional Directors, Alternate Directors during the financial year.
 15. The Company has not appointed any Managing Director/Whole-time Director/Manager during the financial year and hence the question of the compliance of the provisions of section 269 of the Act including approval of the Central Government with regard to appointment of Managing Director/Whole-time Director/Manager does not arise.
 16. The Company has not appointed any sole selling agents during the financial year.
 17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Directors, Registrar and/or such other authorities prescribed under the various provisions of the Act, during the financial year.
 18. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act, and the rules made thereunder.
 19. The Company has not issued any shares/debentures/other securities during the financial year.
 20. The Company has not bought back any shares during the financial year.
 21. There was no redemption of preference shares or debentures during the financial year.
 22. There was no transaction necessitating the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
 23. The Company has not invited /accepted any deposits including any unsecured loans falling within the purview of section 58A during the financial year.
 24. The Company has not made any borrowings during the financial year.
 25. The Company has made loans to other bodies corporate during the financial year in compliance with the provisions of the Act and has made necessary entries in the register kept for the purpose.
 26. The Company has not altered the provisions of the Memorandum of Association with respect to situation of the Company's registered office from one state to another during the financial year under scrutiny.
 27. The Company has not altered the provisions of the Memorandum of Association with respect to the objects of the Company during the financial year under scrutiny.
 28. The Company has not altered the provisions of the Memorandum of Association with respect to name of the Company during the financial year under scrutiny.
 29. The Company has not altered the provisions of the Memorandum of Association with respect to share capital of the Company during the financial year under scrutiny.
 30. The Company has not altered its Articles of Association .
 31. There were no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment imposed on the Company during the financial year, for offences under the Act.
 32. The Company has not received any money as security from its employees during the financial year.
 33. The Company deposited both employer's and employee's contribution to the provident fund with the prescribed authorities during the financial year pursuant to the section 418 of the Act.

For A. K. Pareek & Co.
Company Secretaries
Ashok Kr. Pareek
Proprietor
C. P. No. : 3189

Place : Kolkata
Date : 24th May, 2004

HINDUSTAN MOTOR FINANCE CORPORATION LIMITED

Annexure - A

Registers as maintained by the Company :

| Sl. | Particulars | Under Section |
|-----|---|---------------|
| 1. | Register of Charges & Copies of Instrument Creating Charges | 136 & 143 |
| 2. | Register of Members | 150 |
| 3. | Directors Minutes Book | 193 |
| 4. | Shareholders Minutes Book | 193 |
| 5. | Books of Accounts | 209 |
| 6. | Register of Contracts, Firms, Companies in which directors are interested | 301 |
| 7. | Register of Director etc. | 303 |
| 8. | Register of Directors' Shareholding | 307 |
| 9. | Register of Loans/Investments/Guarantees given to other Bodies Corporate | 372A |
| 10. | Register of Transfer | |
| 11. | Register of Directors and Shareholders Attendance | |

Annexure - B

Returns / Documents / Forms filed with the Registrar of Companies, Regional Director, Central Government or Other Authorities during the financial year ended on 31st March, 2004 (from 01-04-2003 to 31-03-2004)

Registrar of Companies :

| Sl. | Form No. | Relevant Section | Description | Date of filing | Whether filed within prescribed time Yes/No | If delay in filing, whether requisite additional Fee Paid Yes/No |
|-----|----------|------------------|--|----------------|---|--|
| 1. | B/S | 220 | Balance Sheet etc. for the financial year 2002-03 (As on 31-03-2003) | 06-08-2003 | Yes | — |
| 2. | A/R | 159 | Annual Return as on 16-07-2003 | 06-08-2003 | Yes | — |
| 3. | C/C | 383A | Compliance Certificate | 06-08-2003 | Yes | — |
| 4. | Form 13 | 138 | Register of Charges | 23-02-2004 | Yes | — |
| 5. | Form 17 | 138 | Satisfaction of Charges | 23-02-2004 | Yes | — |

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

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

Place : Kolkata

Date : 24th May, 2004

For **A. K. Pareek & Co.**

Company Secretaries

Ashok Kr. Pareek

Proprietor

C. P. No. : 3189

Auditors' Report

To
The Members of

HINDUSTAN MOTOR FINANCE CORPORATION LIMITED

We have audited the attached Balance Sheet of Hindustan Motor Finance Corporation Limited, Kolkata, as at 31st March, 2004 and the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- (i) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (ii) In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of such books;
- (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account as submitted to us;
- (iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- (v) On the basis of written representations received from the directors as on 31st March, 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2004 from being appointed as director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said statements of account, read with the 'notes' appearing on Schedule 14, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

- (a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2004, and
- (b) in the case of Profit and Loss Account, of the profit of the Company for the year ended on that date.

22, Camac Street
Kolkata-700 016
Date : 24th May, 2004

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

Annexure to the Auditors' Report

Referred to in our Report of even date to the members of **HINDUSTAN MOTOR FINANCE CORPORATION LIMITED**, as at and for the year ended 31st March, 2004.

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have been physically verified by the management during the year. As informed, no discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. As informed, no material discrepancies were noticed on such physical verification.
- (iii) As informed to us, the Company has neither given nor taken any loan, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and for the sale of goods. No fixed assets have been purchased during the year. During the course of our audit, no major weakness has been noticed in the internal controls in respect of these areas.
- (v) According to the information and explanations provided by the management, there has been no transaction that needs to be entered into the register maintained under Section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposit from the public.
- (vii) The Company has an internal audit system, which in our opinion, is commensurate with the size and nature of its business.
- (viii) The provision for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, is not applicable to the Company.
- (ix) (a) The Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, sales-tax, and other material statutory dues *though there had been delays in certain cases*.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, sales-tax and other material statutory dues were outstanding, at the year end for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, there are no dues outstanding in respect of sales-tax and income-tax on account of any dispute.

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current as well as immediately preceding financial year.
- (xi) The Company has no borrowings from any financial institution/bank and outstanding debentures.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund /society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that *long term funds to the tune of Rs. 85.75 lacs approximately (without considering permanent working capital) have been used to finance short-term assets.*
- (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 year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

22, Camac Street
Kolkata-700 016
Date : 24th May, 2004

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

Balance Sheet as at March 31, 2004

| | Schedule | March 31, 2004 Rs. | March 31, 2003 Rs. |
|---|----------|-----------------------|-----------------------|
| SOURCES OF FUNDS | | | |
| A. SHAREHOLDERS' FUNDS | | | |
| a. Share Capital | 1 | 25,00,000 | 25,00,000 |
| b. Reserves & Surplus | | | |
| Surplus as per Profit & Loss Account | | 60,75,229 | 36,43,006 |
| | | 85,75,229 | 61,43,006 |
| B. LOANS | 2 | | |
| Unsecured | | 6,300 | 6,300 |
| | | 6,300 | 6,300 |
| | TOTAL | 85,81,529 | 61,49,306 |
| APPLICATION OF FUNDS | | | |
| A. FIXED ASSETS | 3 | | |
| a. Gross Block | | 1,32,323 | 1,32,323 |
| b. Less : Depreciation | | 1,26,423 | 1,25,122 |
| c. Net Block | | 5,900 | 7,201 |
| B. DEFERRED TAX ASSET | 4 | 3,12,564 | 5,93,865 |
| C. CURRENT ASSETS, LOANS & ADVANCES | | | |
| a. Motor Vehicles given on Hire Purchase Contracts, valued at Hires receivable | 5 | 43,67,200 | 66,30,481 |
| b. Sundry Debtors | 6 | 21,06,808 | 25,471 |
| c. Cash and Bank Balances | 7 | 52,54,223 | 5,00,700 |
| d. Other Current Assets | | | |
| Interest accrued on Fixed Deposit | | 52,596 | 52,596 |
| e. Loans & Advances | 8 | 41,61,097 | 96,533 |
| | | 1,59,41,924 | 73,05,781 |
| D. Less : CURRENT LIABILITIES & PROVISIONS | 9 | | |
| a. Current Liabilities | | 61,36,049 | 6,93,116 |
| b. Provisions | | 15,42,810 | 10,64,425 |
| | | 76,78,859 | 17,57,541 |
| NET CURRENT ASSETS | | 82,63,065 | 55,48,240 |
| | TOTAL | 85,81,529 | 61,49,306 |

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

14

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

In terms of our attached Report of even date.

S.R. Batliboi & Co.

Chartered Accountants

per **R. K. Agrawal**

a Partner

Membership No. 16667

22, Camac Street
Kolkata-700 016 , May 24, 2004

S. P. Singhi
G. N. Pareek
U. C. Tiwari
DIRECTORS

Profit & Loss Account for the year ended March 31, 2004

| | Schedule | 2003-04 Rs. | 2002-03 Rs. |
|---|----------|--------------------|------------------|
| INCOME | | | |
| Sales & Services – Job charges | | 1,73,27,893 | — |
| Less : Works Contract Tax | | 6,66,457 | — |
| | | <u>1,66,61,436</u> | <u>—</u> |
| Finance Charges and Commission on Hire Purchase contracts | 10 | 7,15,945 | 9,15,006 |
| Other Income | 11 | 6,08,007 | 4,45,748 |
| | | <u>1,79,85,388</u> | <u>13,60,754</u> |
| EXPENDITURE | | | |
| Job Charges to contractors | | 1,05,52,753 | — |
| Payments to and Provisions for employees | 12 | 11,70,525 | 4,90,791 |
| Interest | | 12,962 | 3,310 |
| Other Expenses | 13 | 20,43,953 | 6,72,185 |
| Directors' Fees | | 4,200 | 3,800 |
| Provision against Non-Performing Assets | | 3,37,298 | 1,16,255 |
| Depreciation | | 1,301 | 1,589 |
| | | <u>1,41,22,992</u> | <u>12,87,930</u> |
| PROFIT BEFORE TAXATION | | <u>38,62,396</u> | <u>72,824</u> |
| Provision for Taxation | | 11,55,000 | 52,000 |
| Deferred Tax | | 2,81,301 | (6,181) |
| [Refer Note No. 6 on Schedule 14] | | 14,36,301 | 45,819 |
| PROFIT AFTER TAXATION | | <u>24,26,095</u> | <u>27,005</u> |
| <i>Add:</i> Interest Tax refunds for earlier years and excess provision of Income Tax written back | | 6,128 | 53,189 |
| | | <u>24,32,223</u> | <u>80,194</u> |
| <i>Add:</i> Balance brought forward from Previous Year | | 36,43,006 | 35,62,812 |
| Balance Carried to Balance Sheet | | <u>60,75,229</u> | <u>36,43,006</u> |
| Earning per share (Rs) | | 9.70 | 0.11 |
| Nominal value per share (Rs) | | 10.00 | 10.00 |

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 14

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

In terms of our attached Report of even date.

S.R. Batliboi & Co.

Chartered Accountants

per **R. K. Agrawal**

a Partner

Membership No. 16667

22, Camac Street
Kolkata-700 016 , May 24, 2004

S. P. Singhi
G. N. Pareek
U. C. Tiwari
DIRECTORS

Schedules to the Balance Sheet

| | March 31, 2004 | <i>March 31, 2003</i> |
|--|-----------------------|----------------------------|
| | Rs. | <i>Rs.</i> |
| SCHEDULE 1 : SHARE CAPITAL | | |
| Authorised : | | |
| 2,50,000 Ordinary Shares of Rs. 10 each | 25,00,000 | <i>25,00,000</i> |
| 1,22,50,000 Shares of Rs. 10 each | 12,25,00,000 | <i>12,25,00,000</i> |
| 7,50,000 Shares of Rs. 100 each | 7,50,00,000 | <i>7,50,00,000</i> |
| | <u>20,00,00,000</u> | <u><i>20,00,00,000</i></u> |
| Issued & Subscribed : | | |
| 2,50,000 Ordinary Shares of Rs. 10 each fully paid in cash | 25,00,000 | <i>25,00,000</i> |

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

SCHEDULE 2 : LOANS

Unsecured :

| | | |
|------------------|--------------|---------------------|
| Security Deposit | 6,300 | <i>6,300</i> |
| | <u>6,300</u> | <u><i>6,300</i></u> |

SCHEDULE 3 : FIXED ASSETS

| DESCRIPTION OF ASSETS | GROSS BLOCK | | DEPRECIATION | | | NET BLOCK | |
|--------------------------------|--|--|--|---------------------------------|--|---|---|
| | <i>As at</i> <i>March 31</i> <i>2003</i> <i>(Rs.)</i> | <i>As at</i> March 31 2004 <i>(Rs.)</i> | <i>Upto</i> <i>March 31,</i> <i>2003</i> <i>(Rs.)</i> | For the year <i>(Rs.)</i> | <i>Upto</i> March 31, 2004 <i>(Rs.)</i> | <i>As at</i> March 31, 2004 <i>(Rs.)</i> | <i>As at</i> <i>March 31,</i> <i>2003</i> <i>(Rs.)</i> |
| Furniture & Other Equipment | <i>1,32,323</i> | 1,32,323 | <i>1,25,122</i> | 1,301 | 1,26,423 | 5,900 | <i>7,201</i> |
| Total – This year | <u><i>1,32,323</i></u> | <u>1,32,323</u> | <u><i>1,25,122</i></u> | <u>1,301</u> | <u>1,26,423</u> | <u>5,900</u> | <u><i>7,201</i></u> |
| Total – Previous year | <u><i>1,32,323</i></u> | <u>1,32,323</u> | <u><i>1,23,533</i></u> | <u>1,589</u> | <u>1,25,122</u> | <u>7,201</u> | <u><i>8,790</i></u> |

HINDUSTAN MOTOR FINANCE CORPORATION LIMITED

| | March 31, 2004 Rs. | <i>March 31, 2003 Rs.</i> |
|---|-------------------------------|-------------------------------|
| SCHEDULE 4 : DEFERRED TAX ASSET | | |
| Balance as per last account | 5,93,865 | 5,87,684 |
| <i>Add/(Less) :</i> Deferred Tax for the year (Refer Note No. 6 on Schedule 14) | (2,81,301) | 6,181 |
| | <u>3,12,564</u> | <u>5,93,865</u> |
| SCHEDULE 5 : MOTOR VEHICLES GIVEN ON HIRE PURCHASE CONTRACTS, VALUED AT HIRES RECEIVABLE | | |
| Standard Assets | 35,41,600 | 61,48,149 |
| Non-Performing Assets | 13,83,874 | 19,49,641 |
| | <u>49,25,474</u> | <u>80,97,790</u> |
| <i>Less :</i> Provision for Non-Performing Assets | 5,58,274 | 14,67,309 |
| | <u>43,67,200</u> | <u>66,30,481</u> |
| SCHEDULE 6 : SUNDRY DEBTORS | | |
| Unsecured, Considered good except otherwise stated : | | |
| Debts due for less than 6 months | <u>21,06,808</u> | <u>25,471</u> |
| SCHEDULE 7 : CASH & BANK BALANCES | | |
| Cash in hand [including Cheques, Drafts, Stamps etc. Rs. 7,57,667 (Rs. 3,57,083)] | 7,95,870 | 4,43,878 |
| With Scheduled Banks on : | | |
| Current Account | 44,40,353 | 38,822 |
| Fixed Deposit Account (receipt lying deposited with City Civil Court, Calcutta) | 18,000 | 18,000 |
| | <u>52,54,223</u> | <u>5,00,700</u> |

Schedules to the Balance Sheet

| | March 31, 2004 | <i>March 31, 2003</i> |
|--|-----------------------|-----------------------|
| | Rs. | Rs. |
| SCHEDULE 8 : LOANS & ADVANCES | | |
| Loan to the Holding Company (Including interest accrued)* | 25,38,367 | — |
| Unsecured, Considered good, except otherwise stated : | | |
| Advances recoverable in cash or in kind or for value to be received or pending adjustments [including Rs. 1,73,126 (Rs. 1,38,019) considered doubtful] | 1,78,057 | 1,61,294 |
| Advance Payments of Income Tax & Tax deducted at source | 8,81,644 | 60,720 |
| Works Contract Tax Refunds receivable | 7,23,617 | — |
| Deposits | 12,538 | 12,538 |
| | 43,34,223 | 2,34,552 |
| <i>Less</i> : Provision against doubtful advances | 1,73,126 | 1,38,019 |
| | 41,61,097 | 96,533 |

* Maximum amount due during the year Rs. 30,00,000

SCHEDULE 9 : CURRENT LIABILITIES & PROVISIONS

| | | |
|--|-----------|-----------|
| A. CURRENT LIABILITIES | | |
| Sundry Creditors for goods, services, expenses etc.* | 59,80,026 | 6,72,379 |
| For Other Finance | 1,56,023 | 10,341 |
| Hire Purchase Instalments received in Advance | — | 10,396 |
| | 61,36,049 | 6,93,116 |
| B. PROVISIONS | | |
| For Taxation | 11,55,000 | — |
| Estimated Unearned Finance Charges carried forward | 3,87,810 | 10,64,425 |
| | 15,42,810 | 10,64,425 |
| | 76,78,859 | 17,57,541 |

* Includes Rs. 9,23,271 due to holding company

Schedules to the Profit & Loss Account

| | 2003-04 | <i>2002-03</i> |
|--|----------------|----------------|
| | Rs. | Rs. |
| SCHEDULE 10 : FINANCE CHARGES & COMMISSION | | |
| Value of Hire Purchase Contracts (including Finance Charges & Commission) | 6,02,330 | 42,59,323 |
| <i>Add</i> : Estimated Unearned Finance Charges brought forward from previous year | 10,64,425 | 13,17,056 |
| | 16,66,755 | 55,76,379 |
| <i>Less</i> : Estimated Unearned Finance Charges carried forward to next year | 3,87,810 | 10,64,425 |
| | 12,78,945 | 45,11,954 |
| <i>Less</i> : Value of Motor Vehicles given on Hire Purchase Contracts | 5,63,000 | 35,96,948 |
| | 7,15,945 | 9,15,006 |

Schedules to the Profit & Loss Account

| | 2003-04 | 2002-03 |
|--|-----------------|-----------------|
| | Rs. | Rs. |
| SCHEDULE 11 : OTHER INCOME | | |
| Interest from Hirers & Others | 16,190 * | 70,129 |
| Interest from Holding Company | 48,261 * | - |
| Rent | 1,83,013 | 2,05,141 |
| Items pertaining to previous years | - | 50,000 |
| Unclaimed balance adjusted | 37,717 | - |
| Provisions no longer required written back | 81,296 | 99,833 |
| Miscellaneous Income | 2,41,530 * | 20,645 |
| | <u>6,08,007</u> | <u>4,45,748</u> |

* Includes Tax at Source Rs. 22,444 (Rs. Nil)

SCHEDULE 12 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

| | | |
|---|--------------------|-----------------|
| Salaries & Bonus | 9,95,819 | 3,99,783 |
| Contribution to Provident, Gratuity & Other Funds | 1,11,305 | 62,057 |
| Welfare Expenses | 63,401 | 28,951 |
| | <u>11,70,525 *</u> | <u>4,90,791</u> |

* Includes Rs. 5,78,812 re-imbursed to the holding company for seconded employees

SCHEDULE 13 : OTHER EXPENSES

| | | |
|--|------------------|-----------------|
| Rent | 3,00,433 | 3,00,433 |
| Rates & Taxes | 3,500 | 3,910 |
| Travelling Expenses | 2,84,188 | 81,159 |
| Conveyance Expenses | 1,42,497 | 59,716 |
| Electricity Charges (Net) | 16,159 | 16,826 |
| Legal Expenses | 56,692 | 5,407 |
| Product Development Expenses | - | 49,823 |
| Postage, Telegrams & Telephones | 1,04,909 | 26,897 |
| Motor Car Expenses | 58,271 | - |
| Consultancy Charges | 8,00,000 | - |
| Bank Charges | 28,820 | - |
| Miscellaneous Expenses | 1,61,664 | 95,469 |
| Freight Charges | 14,100 | - |
| Rebate allowed on settlement of Hires | 10,003 | - |
| Repairs & Maintenance | 1,850 | 1,769 |
| Auditors' Remuneration : | | |
| As Auditors | 20,000 | 20,000 |
| Other Services for issuing Certificates | - | 3,000 |
| Reimbursement of Service Tax, Travelling expenses etc. | 5,760 | 6,200 |
| Provision for Doubtful Advances | 35,107 | 1,576 |
| Bad Debts written off | 11,65,037 | - |
| Less : Adjusted against Provision | <u>11,65,037</u> | <u>-</u> |
| | <u>20,43,953</u> | <u>6,72,185</u> |

Schedule to the Balance Sheet and Profit & Loss Account

SCHEDULE 14 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. ACCOUNTING POLICIES

- i) Basis of Accounting :
 - a) The Company prepares its accounts on accrual basis, except otherwise stated, in accordance with the normally accepted accounting principles.
 - b) Revenue from sale of goods and services rendered is recognised upon passage of title and rendering of services to the customers.
 - c) Income in respect of Finance Commission is recognised at the time of execution of Hire Purchase Agreement.
 - d) The following accounts due to uncertainty in realisation, are maintained on actual receipt basis :
 - i) Income on non-performing assets as per guidelines prescribed by the Reserve Bank of India.
 - ii) Interest and Miscellaneous charges recoverable on overdue hires.
 - iii) Rent from a Sub-tenant.
- ii) Fixed Assets :
Fixed Assets are stated at cost less accumulated depreciation.
- iii) Depreciation :
 - a) Depreciation on Fixed Assets is provided on Written Down Value Method at the rates specified in Schedule XIV of the Companies Act, 1956.
 - b) Depreciation on Fixed Assets added / disposed off during the year, is provided on pro-rata basis with reference to the month of addition / disposal.
- iv) Retirement Benefits :
 - a) Retirement Benefits in the form of Provident Fund and Superannuation Fund are charged to the Profit & Loss Account of the year when the contribution to the fund is due.
 - b) Retirement Benefit Schemes in the form of Gratuity and Pension are administered through approved funds. Contributions to such funds, made in accordance with actuarial valuation / premiums demanded by Life Insurance Corporation of India, are charged to Profit & Loss Account.
- v) Taxation :
Provision for Income Tax comprises of current tax and deferred tax charge or release. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being difference between taxable and accounting income / expenditure that originate in one period and are capable of reversal in one or more subsequent period(s). Deferred tax assets are not recognised unless there is "virtual certainty" that sufficient future taxable income will be available against which such deferred tax assets will be realised.

2. Contingent Liabilities not provided for in respect of :

| | <i>Amount in Rupees</i> | |
|---|-------------------------|----------------|
| | <u>2003-04</u> | <u>2002-03</u> |
| Bank Guarantee given to the City Civil Court, Kolkata | 18,000 | 18,000 |

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

4. Unlike previous year, in order to comply with the Accounting Standard - 15 referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956, leave liabilities to employees have been accounted for on an actuarial basis resulting into a decrease in profit by Rs. 88,489.

Schedule to the Balance Sheet and Profit & Loss Account

5. **Earning Per Share (EPS) :-**

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

| | <u>2003-04</u> | <u>2002-03</u> |
|-----------------------------------|----------------|----------------|
| Profit as per Accounts | 24,26,095 | 27,005 |
| Weighted Average Number of Shares | 2,50,000 | 2,50,000 |
| Basic and Diluted EPS (Rs) | 9.70 | 0.11 |
| Nominal Value per Share (Rs) | 10.00 | 10.00 |

6. For the current year, there is a deferred tax liability of Rs. 2,81,301 which has been debited to the Profit & Loss Account.

The break-up of Deferred Tax Asset as on 31st March, 2004 is as follows :

| | <u>31st March 2004</u> | <u>31st March 2003</u> |
|---|------------------------|------------------------|
| | <u>Rs.</u> | <u>Rs.</u> |
| Deferred Tax Assets : | | |
| Expenses allowable against taxable income in future years | 3,13,867 | 5,99,361 |
| Deferred Tax Liability : | | |
| Timing difference in depreciable assets | 1,303 | 5,496 |
| | <u>3,12,564</u> | <u>5,93,865</u> |

7. Information as required in terms of Paragraph 9BB of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 to the extent applicable to the Company :

| | <u>Amount (Rs)</u> |
|--|--------------------|
| i) Break-up of stock on hire counting towards Hire Purchase activities | |
| (a) Motor Vehicles given on Hire Purchase Contracts, valued at Hires Receivable Assets on Hire | 43,67,200 |
| ii) Other Information : | |
| Particulars | |
| i) Gross Non-Performing Assets | |
| (a) Related Parties | - |
| (b) Other than Related Parties | 13,83,874 |
| ii) Net Non-Performing Assets | |
| (a) Related Parties | - |
| (b) Other than Related Parties | 8,25,600 |

8. Previous year's figures (which are given in brackets) have been regrouped / rearranged wherever necessary and the same are not comparable with the current year figures since during the year, the Company has commenced performing bullet proofing of vehicles on Job Work basis.

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

Signatories to Schedules 1 to 14

In terms of our attached Report of even date.

S.R. Batliboi & Co.

Chartered Accountants

per R. K. Agrawal

a Partner

Membership No. 16667

22, Camac Street
Kolkata-700 016, May 24, 2004

S. P. Singhi
G. N. Pareek
U. C. Tiwari
DIRECTORS

HINDUSTAN MOTOR FINANCE CORPORATION LIMITED

ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF SCHEDULE VI, PART IV OF THE COMPANIES ACT, 1956 (VIDE NOTIFICATION NO. 3/24/94-CL-V(A) DATED 15.05.1995)

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

| | | | |
|--------------------|------------|------------|----|
| Registration No. | 8866 | State Code | 21 |
| Balance Sheet Date | 31.03.2004 | | |

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

| | | | |
|--------------|-----|-------------------|-----|
| Public Issue | Nil | Rights Issue | Nil |
| Bonus Issue | Nil | Private Placement | Nil |

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

| | | | |
|-------------------|-------|--------------|-------|
| Total Liabilities | 8,582 | Total Assets | 8,582 |
|-------------------|-------|--------------|-------|

SOURCES OF FUNDS

| | | | |
|-----------------|-------|--------------------|-------|
| Paid up Capital | 2,500 | Reserves & Surplus | 6,075 |
| Secured Loan | Nil | Unsecured Loan | 6 |

APPLICATION OF FUNDS

| | | | |
|--------------------|-------|--------------------|-----|
| Net Fixed Assets | 6 | Investments | Nil |
| Net Current Assets | 8,263 | Deferred Tax Asset | 313 |
| Accumulated Losses | Nil | | |

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

| | | | |
|--------------------------|----------|-------------------|--------|
| Turnover | 17,985 * | Total Expenditure | 14,123 |
| Profit before Tax | 3,862 | Profit after Tax | 2,432 |
| Earnings Per Share (Rs.) | 9.70 | Dividend Rate (%) | Nil |

* Including Other Income

V. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY

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

Report of the Directors

To the Shareholders,

The Directors have pleasure in presenting their Report and Accounts for the year ended 31st March, 2004.

The revenue account for the year shows a profit of Rs. 2,39,034 after providing Rs. 41,663 for depreciation and Rs. 1,45,000 for taxation. After taking into account Rs. 17,178 on account of deferred tax liability and credit balance of Rs. 53,11,660 brought forward from the previous year, there remains a credit balance of Rs. 55,38,985 which your Directors have decided to carry forward.

During the year under review the Company had exported Handling equipments, Passenger cars, Rural Transport Vehicles, Trekkers, Porters, Engines and Auto parts to U. K., Japan, Bangladesh, Singapore, France, Dubai and Sri Lanka. The total export during the year was Rs. 292 lacs as against Rs. 581 lacs in the previous year.

Directors' Responsibility Statement

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

- A) that in the preparation of the annual accounts, for the year ended 31st March, 2004, all the applicable accounting standards prescribed by the Institute of Chartered Accountants of India, have been followed, except the following accounting standard as stated below :

Accounting Standard 15 – Accounting for Retirement benefits.

The practice being followed by the Company in respect of accounting of leave liability on cash basis has been referred to in Note B(3) of Schedule 16 to the accounts.

- B) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year.
- C) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- D) that the Directors have prepared the annual accounts on a going concern basis.

During the year under review none of the employees was in receipt of remuneration of Rs. 2,00,000 or more per month. Hence, the statement giving particulars of employees under Section 217(2A) of the Companies Act, 1956, read with the Rules made thereunder is not required to be given.

The particulars of Foreign Exchange earnings and expenses appear in Notes B(9) and B(10) respectively of Schedule 16 to the accounts. Since the Company did not own any manufacturing facility, the other particulars of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

The Auditors have drawn your attention to Note B(3) appearing on Schedule 16 to the accounts. This note is self-explanatory and does not need any further explanation.

During the year under review Shri S. L. Bhattar had resigned from the directorship of the Company with effect from 22.03.2004.

Shri T E S Varadhan who was appointed as an Additional Director of the Company with effect from 22.03.2004 vacates his office at the ensuing Annual General Meeting.

Shri N. R. Kulkarni retires from the Board of Directors by rotation and is eligible for re-appointment.

The Auditors, Messrs. G. Basu & Co., Chartered Accountants, also retire and are eligible for re-appointment.

Auditors' Report To The Members of HM Export Limited

1. We have audited the attached Balance Sheet of HM Export Limited as at 31st March, 2004 and also the Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 we enclose in the Annexure a statement on the matters specified in paragraphs - 4 and 5 of the said Order.
4. *No provision has been made for leave liability for employees amounting to Rs. 6,600/- estimated by the management and the same is accounted for on cash basis in consequence of which profit for the year would have been Rs. 3,94,612/- (as against the reported figure of Rs. 4,01,212/-) and reserve and surplus would have been Rs. 1,10,53,385/- (as against the reported figure of Rs. 1,10,59,985/-), refer Note No. B(3) in Schedule - 16.*
5. Subject to above and further to our comments in the "Annexure" referred to in Paragraph - 3 above, we report that :
 - (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (ii) In our opinion subject to Note No. A(ix)(b) on Schedule-16 regarding non accounting of leave payments to employees on accrual basis, proper Books of Account, as required by law, have been kept by the Company so far as appears from our examination of the books of the Company.
 - (iii) The Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the Books of Account.
 - (iv) In our opinion, the Profit and Loss Account and the Balance Sheet comply with Accounting Standards referred to in sub-section (3c) of Section 211 of the Companies Act, 1956, except for the provision of leave liability in respect of employees which is not in accordance with the Accounting Standard 15 as indicated in Note No. B(3) in Schedule - 16.
 - (v) On the basis of written representations received from the directors as on 31st March, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (vi) In our opinion and to the best of our information and according to explanation given to us, the said accounts read with other Notes appearing in Schedule - 16 give the information required by the Companies Act, 1956 in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004 and
 - (b) In the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date.

Kolkata
The 19th May, 2004.

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

Annexure To The Auditors' Report

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

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

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

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

wealth tax, sales tax, customs duty and excise duty were outstanding as at 31st March, 2004 for a period of more than six months from the date they became payable.

18. According to the records of the Company, there are no dues of sales tax, income tax, customs duty, excise duty, wealth tax which have not been deposited on account of any dispute.
19. There are no accumulated losses of the Company. Company has not also incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
20. Based on our audit procedures and on the basis of information and explanations given by the management, we have to state that since the Company has not taken any loan from financial institutions, banks or raised any debenture clause 4(xi) of the orders is not applicable this year.
21. Based on our examination of documents and records, we state that the Company has not granted any loans and advances on the basis of securities by way of pledge of shares, debentures and other securities and as such clause 4(xii) of the order is not applicable this year.
22. Since the Company is a Trading company provision of any special statute applicable to a chit fund, nidhi/mutual benefit fund/societies are not applicable to this Company and as such this report does not include a statement on the matter specified in clause 4(xiii)(a), (b), (c) & (d) of the order.
23. The Company is neither dealing or trading in shares, securities, debentures and other investments, nor held any such securities. This report does not include a statement on the matter specified in clause 4(xiv) of the order.
24. The Company has not given any guarantee for loans taken by others from banks or financial institutions.
25. On the basis of our examination of books and records and the information and explanations given by the management, we state that the Company has not obtained any term loan.
26. No fund raised on short term basis has been used for long term investment or vice versa except for deployment of fund out of profit, which is technically regarded as long term source of fund, for meeting need based working capital requirement.
27. The Company is a wholly owned subsidiary of Hindustan Motors Limited and the Company has not issued any shares and as such paragraph 4(xviii) is not applicable this year.
28. During the period covered by our audit report the Company has not issued any debenture. Hence paragraph 4(xix) is not applicable this year.
29. The Company has not raised any money by public issues and as such paragraph 4(xx) is not applicable this year.
30. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

Kolkata
The 19th May, 2004.

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

Balance Sheet as at March 31, 2004

| | Schedule | As at March 31, 2004 Rs. | As at March 31, 2003 Rs. |
|---|----------|--------------------------------|--------------------------------|
| SOURCES OF FUNDS | | | |
| A. SHAREHOLDERS' FUNDS | | | |
| a. Share Capital | 1 | 5,00,000 | 5,00,000 |
| b. Reserves & Surplus | 2 | 1,10,59,985 | 1,08,32,660 |
| | | <u>1,15,59,985</u> | <u>1,13,32,660</u> |
| APPLICATION OF FUNDS | | | |
| A. FIXED ASSETS | 3 | | |
| a. Gross Block | | 7,69,213 | 3,15,598 |
| b. <i>Less</i> : Depreciation | | 2,09,294 | 1,67,631 |
| c. Net Block | | <u>5,59,919</u> | <u>1,47,967</u> |
| B. CURRENT ASSETS, LOANS & ADVANCES | | | |
| a. Inventories | 4 | 8,41,950 | 1,52,699 |
| b. Sundry Debtors | 5 | – | 67,10,788 |
| c. Cash and Bank Balances | 6 | 31,43,915 | 35,32,885 |
| d. Other Current Assets | 7 | 2,29,055 | 40,48,162 |
| e. Loans & Advances | 8 | 1,76,65,796 | 1,07,10,811 |
| | | <u>2,18,80,716</u> | <u>2,51,55,345</u> |
| C. <i>LESS</i> : CURRENT LIABILITIES & PROVISIONS | 9 | | |
| a. Current Liabilities | | 96,88,116 | 1,17,06,764 |
| b. Provisions | | 11,11,000 | 21,99,532 |
| | | <u>1,07,99,116</u> | <u>1,39,06,296</u> |
| NET CURRENT ASSETS | | 1,10,81,600 | 1,12,49,049 |
| DEFERRED TAX LIABILITY | 10 | 81,534 | 64,356 |
| | | <u>1,10,00,066</u> | <u>1,11,84,693</u> |
| | | <u>1,15,59,985</u> | <u>1,13,32,660</u> |
| ACCOUNTING POLICIES AND NOTES ON ACCOUNTS | 16 | | |

Schedules 1 to 10 and 16 referred to above form an integral part of the Balance Sheet.

In terms of our attached Report of even date.

3, Chowringhee Approach
Kolkata-700 072, 19th May, 2004

For **G. Basu & Co.**
Chartered Accountants
H. S. Gomes
Partner

S. P. Singhi
K. K. Choudhury
TES Varadhan
DIRECTORS

Profit & Loss Account for the year ended March 31, 2004

| | Schedule | Year ended March 31, 2004 Rs. | Year ended March 31, 2003 Rs. |
|--|----------|-------------------------------------|-------------------------------------|
| INCOME | | | |
| Sales | 11 | 2,93,52,836 | 6,50,31,315 |
| Other Income | 12 | 13,37,664 | 15,55,483 |
| | | <u>3,06,90,500</u> | <u>6,65,86,798</u> |
| EXPENDITURE | | | |
| Increase / Decrease in Stocks | 13 | - 6,89,251 | - 3,879 |
| Purchase of Traded Goods | | 2,85,63,576 | 6,21,41,900 |
| Payments to and Provisions for Employees | 14 | 4,67,452 | 4,33,084 |
| Other Expenses | 15 | 17,91,032 | 13,22,320 |
| Directors' Remuneration | | 2,800 | 2,000 |
| | | <u>3,01,35,609</u> | <u>6,38,95,425</u> |
| PROFIT BEFORE INTEREST, DEPRECIATION & TAXATION | | <u>5,54,891</u> | <u>26,91,373</u> |
| Interest | | 1,12,016 | 23,573 |
| Depreciation | | 41,663 | 58,814 |
| | | <u>1,53,679</u> | <u>82,387</u> |
| PROFIT BEFORE TAXATION | | <u>4,01,212</u> | <u>26,08,986</u> |
| Less: Provision for Taxation | | 1,45,000 | 9,66,000 |
| | | <u>2,56,212</u> | <u>16,42,986</u> |
| Add/Less: Deferred Tax Assets / Liability (Net) | | - 17,178 | 5,987 |
| PROFIT AFTER TAXATION | | <u>2,39,034</u> | <u>16,48,973</u> |
| Add/(Less) : Income -tax for earlier year | | - 11,709 | - |
| Balance brought forward from Previous year | | 53,11,660 | 58,47,219 |
| BALANCE AVAILABLE FOR APPROPRIATIONS | | <u>55,38,985</u> | <u>74,96,192</u> |
| APPROPRIATIONS | | | |
| General Reserve | | - | 10,00,000 |
| Proposed Dividend on Equity Shares | | - | 10,50,000 |
| Tax on proposed Dividend | | - | 1,34,532 |
| Balance carried to Balance Sheet | | 55,38,985 | 53,11,660 |
| | | <u>55,38,985</u> | <u>74,96,192</u> |

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 16

Schedules 11 to 16 referred to above form an integral part of the Profit & Loss Account.

In terms of our attached Report of even date.

3, Chowringhee Approach
Kolkata-700 072, 19th May, 2004

For **G. Basu & Co.**
Chartered Accountants
H. S. Gomes
Partner

S. P. Singhi
K. K. Choudhury
TES Varadhan
DIRECTORS

Schedules to the Balance Sheet

| | As at March 31, 2004 Rs. | As at March 31, 2003 Rs. |
|---|--------------------------------|--------------------------------|
| SCHEDULE 1 : SHARE CAPITAL | | |
| Authorised : | | |
| 50,000 Equity Shares of Rs. 10 each | <u>5,00,000</u> | <u>5,00,000</u> |
| Issued & Subscribed : | | |
| 50,000 Equity Shares of Rs. 10 each fully paid up | <u>5,00,000</u> | <u>5,00,000</u> |
| Notes : | | |
| 1. The entire Subscribed Capital is held by Hindustan Motors Limited, the Holding Company and its nominees. | | |
| 2. Issued & Subscribed Capital includes 47,900 Equity Shares issued and allotted as fully paid Bonus Shares by capitalisation of General Reserve. | | |
| SCHEDULE 2 : RESERVES & SURPLUS | | |
| General Reserve : | | |
| As per last account | 55,21,000 | 50,00,000 |
| Add : Transfer from Profit & Loss Account | — | 10,00,000 |
| | <u>55,21,000</u> | <u>60,00,000</u> |
| Less : Capitalised by issue of Bonus Shares | — | 4,79,000 |
| | <u>55,21,000</u> | <u>55,21,000</u> |
| SURPLUS AS PER PROFIT & LOSS ACCOUNT | | |
| | 55,38,985 | 53,11,660 |
| | <u>1,10,59,985</u> | <u>1,08,32,660</u> |

SCHEDULE 3 : FIXED ASSETS

| DESCRIPTION OF ASSETS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|--------------------------|------------------------------------|-------------------------|-------------------------------------|---------------------------------------|-------------------------------------|--------------------------|---|------------------------------------|-------------------------------------|-------------------------------------|
| | As at March 31 2003 (Rs.) | Addi- tions (Rs.) | Sales/ Adjust- ments (Rs.) | Total to March 31 2004 (Rs.) | Total March 31, 2003 (Rs.) | For the year (Rs.) | Less on Sales/ Adjustments (Rs.) | Upto March 31, 2004 (Rs.) | As at March 31, 2004 (Rs.) | As at March 31, 2003 (Rs.) |
| Machinery & Equipment | 69,190 | — | — | 69,190 | 6,246 | 3,286 | — | 9,532 | 59,658 | 62,944 |
| Computer | 2,31,998 | 1,13,600 | — | 3,45,598 | 1,46,975 | 27,610 | — | 1,74,585 | 1,71,013 | 85,023 |
| Furniture & Fittings | 14,410 | — | — | 14,410 | 14,410 | — | — | 14,410 | — | — |
| Vehicles | — | 3,40,015 | — | 3,40,015 | — | 10,767 | — | 10,767 | 3,29,248 | — |
| Total – This year | <u>3,15,598</u> | <u>4,53,615</u> | <u>—</u> | <u>7,69,213</u> | <u>1,67,631</u> | <u>41,663</u> | <u>—</u> | <u>2,09,294</u> | <u>5,59,919</u> | <u>1,47,967</u> |
| Total – Previous year | <u>10,64,855</u> | <u>—</u> | <u>7,49,257</u> | <u>3,15,598</u> | <u>4,16,178</u> | <u>58,814</u> | <u>3,07,361</u> | <u>1,67,631</u> | <u>1,47,967</u> | <u>6,48,677</u> |

Schedules to the Balance Sheet

| | As at March 31, 2004 Rs. | As at March 31, 2003 Rs. |
|---|--------------------------------|--------------------------------|
| SCHEDULE 4 : INVENTORIES | | |
| Stock of trading goods, as per inventories taken, valued and certified by the Management At cost or market rate which ever is lower | 8,41,950 | 1,52,699 |
| | 8,41,950 | 1,52,699 |
| SCHEDULE 5 : SUNDRY DEBTORS | | |
| Considered good except otherwise stated : | | |
| a) Debts outstanding for a period exceeding six months : | | |
| Unsecured (considered doubtful) | 29,810 | 29,810 |
| b) Other debts : | | |
| Unsecured | - | 67,10,788 |
| | 29,810 | 67,40,598 |
| <i>Less</i> : Provision for doubtful debts | 29,810 | 29,810 |
| | - | 67,10,788 |
| SCHEDULE 6 : CASH & BANK BALANCES | | |
| Cash in hand (Including cheques) | 2,99,657 | 16,614 |
| With Scheduled Banks on : | | |
| Fixed Deposit Account | 3,70,000 | 5,00,000 |
| Current Account | 24,74,258 | 30,16,271 |
| | 31,43,915 | 35,32,885 |
| SCHEDULE 7 : OTHER CURRENT ASSETS | | |
| Unsecured : | | |
| Considered good : | | |
| Interest accrued on Deposits / Loan | 1,199 | 2,73,669 |
| Export Incentives receivable | 1,25,733 | 37,74,493 |
| DEPB Licence | 1,02,123 | - |
| | 2,29,055 | 40,48,162 |
| SCHEDULE 8 : LOANS & ADVANCES | | |
| Unsecured : | | |
| Considered good : | | |
| Other advances recoverable in cash or in kind or for value to be received or pending adjustments | 95,964 | 10,500 |
| Advance payment of Income Tax | 13,51,343 | 7,00,311 |
| Advance against orders to Holding Company | 62,18,489 | - |
| Inter Corporate Loan to Holding Company | 1,00,00,000 | 1,00,00,000 |
| | 1,76,65,796 | 1,07,10,811 |

Schedules to the Balance Sheet

| | As at March 31, 2004 Rs. | As at March 31, 2003 Rs. |
|--|--------------------------------|--------------------------------|
| SCHEDULE 9 : CURRENT LIABILITIES & PROVISIONS | | |
| A. Current Liabilities | | |
| Sundry Creditors for goods, services, expenses etc. * | 83,168 | 58,932 |
| Advance against Orders | 95,79,173 | 28,44,745 |
| Other Liabilities | 25,775 | 10,937 |
| Due to Holding Company | - | 87,92,150 |
| | <u>96,88,116</u> | <u>1,17,06,764</u> |
| B. Provisions | | |
| For Taxation | 11,11,000 | 10,15,000 |
| Proposed dividend | - | 10,50,000 |
| Tax on proposed Dividend | - | 1,34,532 |
| | <u>11,11,000</u> | <u>21,99,532</u> |
| | <u>1,07,99,116</u> | <u>1,39,06,296</u> |

* Amount outstanding to small scale industrial undertakings is nil.

SCHEDULE 10 : DEFERRED TAX LIABILITY

| | | |
|---|---------------|---------------|
| Balance as per last Account | 64,356 | 70,343 |
| Add/Less : during the year (Refer Note No. B(4) of Schedule 16) | 17,178 | 5,987 |
| | <u>81,534</u> | <u>64,356</u> |

Schedules to the Profit & Loss Account

| | Year ended March 31, 2004 Rs. | Year ended March 31, 2003 Rs. |
|---|-------------------------------------|-------------------------------------|
| SCHEDULE 11 : SALES | | |
| Local sales | 17,195 | - |
| Export Sales (including sales to Nepal & Bhutan Rs. Previous year - Rs. 86,78,276/-) | 2,91,66,396 | 5,81,32,839 |
| Export Incentives | 1,69,245 | 68,98,476 |
| | <u>2,93,52,836</u> | <u>6,50,31,315</u> |
| SCHEDULE 12 : OTHER INCOME | | |
| Interest on Fixed Deposits | 19,088 | 34,799 |
| Interest from Holding Company on loan | 13,03,561 | 15,20,684 |
| Interest on Income-tax refund | 8,371 | - |
| Unspent liabilities and provisions no longer written back | 6,644 | - |
| | <u>13,37,664</u> | <u>15,55,483</u> |

Schedules to the Profit & Loss Account

| | Year ended March 31, 2004 Rs. | Year ended March 31, 2003 Rs. |
|---|-------------------------------------|-------------------------------------|
| SCHEDULE 13 : INCREASE / DECREASE IN STOCKS | | |
| Opening Stock | 1,52,699 | 1,48,820 |
| Less : Closing Stock | 8,41,950 | 1,52,699 |
| | - 6,89,251 | - 3,879 |
| SCHEDULE 14 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES | | |
| Salaries, Wages & Bonus | 3,55,452 | 3,17,196 |
| Contribution to Provident, Gratuity & Other Funds | 31,896 | 60,779 |
| Welfare Expenses | 80,104 | 55,109 |
| | 4,67,452 | 4,33,084 |
| SCHEDULE 15 : OTHER EXPENSES | | |
| Insurance | 18,695 | 24,214 |
| Rates & Taxes | 22,633 | 6,820 |
| Delivery Charges, Freight & Transportation etc. | 3,99,228 | 4,35,109 |
| Travelling Expenses | 2,27,305 | 17,122 |
| Miscellaneous Expenses | 8,74,521 | 6,33,681 |
| Exchange Rate Difference (Net) | 1,80,820 | 1,94,553 |
| Rent & Hire charges | 37,500 | - |
| Brokerage | 15,000 | - |
| Loss on sale of fixed assets | - | 1,896 |
| Auditors' Remuneration : | | |
| As Auditors | 10,800 | 7,350 |
| Other Services for issuing various certificates | 4,530 | 1,575 |
| | 17,91,032 | 13,22,320 |

Schedule to the Balance Sheet and Profit & Loss Account

SCHEDULE 16 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. ACCOUNTING POLICIES :

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

B. NOTES ON ACCOUNTS :

1. Contingent Liability is not provided for in respect of Income Tax matters under appeal (amount unascertained).
2. No provision has been made for Sales Tax demand for the year 1979-80 as an appeal has been preferred thereagainst by the Company.

3. The Company has duly complied with the Accounting Standards referred to in clause 3(C) of Section 211 of the Companies Act, 1956 except in respect of leave liability which in the opinion of the management, is meant to be availed of and the employees have been advised to plan their leave in advance while in service and also immediately before superannuation. Accordingly, leave encashment liability for the year has been recognised and provided for only when such encashment was allowed. The quantum of unprovided leave liability works out to Rs. 6,600/- (previous year Rs. 60,950/-) as on the Balance Sheet date as estimated by the management.

4. The break-up of Deferred Tax liability as on 31st March, 2004 is as follows :-

| | | Rs. |
|---|--|---------------|
| A) Deferred Tax Liability | | |
| 1. | Timing difference in depreciable assets | 82,485 |
| 2. | Expenses claimed as deduction as per Income Tax Act but not booked in the accounts | 1,084 |
| | | 83,569 |
| B) Deferred Tax Asset | | |
| | Expenses allowable against taxable income in future years | 2,035 |
| Net Deferred Tax Liability (A-B) | | 81,534 |

5. Disclosure under Accounting Standard 18 – Related Party Disclosure

| <u>Sl. No.</u> | <u>Name of related party</u> | <u>Nature of relationship</u> | <u>Nature of transaction</u> | <u>Amount (Rs.)</u> |
|----------------|------------------------------|-------------------------------|--|-------------------------------------|
| 1. | Hindustan Motors Ltd. | Holding Company | Purchases (net of return) | 2,83,97,576 <i>(6,21,41,900)</i> |
| | | | Loan given & outstanding as on 31.03.2004 | 1,00,00,000 <i>(1,00,00,000)</i> |
| | | | Interest on loan | 13,03,561 <i>(15,20,684)</i> |
| | | | Interest on loan outstanding as on 31.03.2004 (net of TDS) | - |
| | | | Payment due against supply by holding company | - |
| | | | Advance to holding company against sales order | 62,18,489 <i>(-)</i> |
| | | | 2. | Hindustan Motor Finance Corpn. Ltd. |
| 3. | Hindustan Motor Limited, USA | Fellow Subsidiary Company | - | - |

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

7. Earnings per share (EPS) :

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

| | <u>2003-04</u> | <u>2002-03</u> |
|---|----------------|----------------|
| Profit as per accounts | 2,39,034 | 16,48,973 |
| Number of Equity Shares outstanding during the year | 50,000 | 50,000 |
| Basic EPS (Rs.) | 4.78 | 32.98 |
| Diluted EPS (Rs.) | N.A. | N.A. |

8. Quantitative information :
Traded Goods :

| Class of Goods | Purchase | | Opening Stock | | Closing Stock | | Sales | | |
|--|----------|-------|---------------|-------|---------------|-------|------------|-------|---------------|
| | Unit | Qty. | Rs. | Qty. | Rs. | Qty. | Rs. | Qty. | Rs. |
| 1. On Road Automobile having four or more wheels | Nos | 41 | 1,11,77,423 | - | - | - | - | 41 | 1,17,94,868 |
| | | (134) | (4,05,00,971) | (-) | (-) | (-) | (-) | (134) | (3,56,39,089) |
| 2. Isuzu Engine | Nos | 153 | 6049352 | - | - | - | - | 153 | 65,19,009 |
| | | (306) | (1,22,34,645) | (-) | (-) | (-) | (-) | (306) | (1,40,00,074) |
| 3. Spare Parts | Lot | Lot | 1,11,70,801 | Lot | 1,52,699 | Lot | 8,41,950 | Lot | 1,06,63,009 |
| | | (Lot) | (94,06,284) | (Lot) | (1,48,820) | (Lot) | (1,52,699) | (Lot) | (84,93,676) |
| 4. Handling equipment | Lot | Lot | 1,66,000 | Lot | - | Lot | - | Lot | 2,06,705 |
| | | (Lot) | (-) | (Lot) | (-) | (Lot) | (-) | (Lot) | (-) |
| Total | | | 2,85,63,576 | | 1,52,699 | | 8,41,950 | | 2,91,83,591 |
| | | | (6,21,41,900) | | (1,48,820) | | (1,52,699) | | (5,81,32,839) |

| | <u>Year ended</u> <u>March 31, 2004</u> | <u>Year ended</u> <u>March 31, 2003</u> |
|--|--|--|
| | Rs. | Rs. |
| 9. Earning in Foreign Exchange : F.O.B. Value of Exports | 2,88,48,483 | 4,91,27,731 |
| 10. Expenses in Foreign Exchange : Travelling and other Expenses | - | 4,946 |
| 11. Previous year's figures have been regrouped / rearranged wherever necessary. | | |

12. Additional information pursuant to the provisions of Schedule VI after Part III of the Companies Act, 1956 vide Notification No. 3/24/94-CL-V(a) dated 15-5-1995.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration details

| | | | |
|--------------------|------------|------------|----|
| Registration No. | 25330 | State Code | 21 |
| Balance Sheet Date | 31.03.2004 | | |

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

| | | | |
|--------------|-----|-------------------|-----|
| Public Issue | Nil | Rights Issue | Nil |
| Bonus Issue | Nil | Private Placement | Nil |

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

| | | | |
|-------------------|---------|--------------|-------|
| Total Liabilities | 11560 * | Total Assets | 11560 |
|-------------------|---------|--------------|-------|

Sources of Funds :

| | | | |
|-----------------|-----|--------------------|-------|
| Paid-up Capital | 500 | Reserves & Surplus | 11060 |
| Secured Loans | Nil | Unsecured Loans | Nil |

Application of Funds :

| | | | |
|--------------------|---------|-------------------|-----|
| Net Fixed Assets | 560 | Investments | Nil |
| Net Current Assets | 11000 * | Misc. Expenditure | Nil |
| Accumulated Losses | Nil | | |

* Net of Deferred Tax Liability

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

| | | | |
|--------------------------|----------|-------------------------|-------|
| Turnover | 30690 ** | Total Expenditure | 30289 |
| Profit / Loss before Tax | 401 | Profit / Loss after Tax | 239 |
| Earning Per Share (Rs.) | 4.78 | Dividend Rate (%) | Nil |

** Including Other Income

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

| | |
|--------------------------|-------------|
| Item Code No. (ITC Code) | 870300 |
| Product Description | Motor Cars |
| Item Code No. (ITC Code) | 840991 |
| Product Description | Motor Parts |
| Item Code No. (ITC Code) | 870323 |
| Product Description | Engines |

In terms of our attached Report of even date.

3, Chowringhee Approach
Kolkata-700 072, 19th May, 2004

For **G. Basu & Co.**
Chartered Accountants
H. S. Gomes
Partner

S. P. Singhi
K. K. Choudhury
TES Varadhan
DIRECTORS

Report of the Director

Your director is pleased to place his report and financial statements for the period ended 31st March, 2004.

Principal Activity

The Company was formed and became effective in Delaware in USA on April 17, 2003. The Company has been set up as a front end Engineering Services provider for clients based in USA.

During the period under review the Company was engaged primarily in exploration of market in USA for providing Engineering services in digitized form. During the said period the Company had incurred a net loss of \$ 6821.

Issue of Share Capital

The Company issued 35,000 shares of \$ 1 each for Cash to Hindustan Motors Limited, India during the year.

Future Prospects

The Company is establishing contacts with various corporations based in USA in automotive and other industrial sectors for offering Engineering Services and anticipates a big potential market for the same and also hopes to show improved performance during the next financial year.

The 19th May, 2004

On behalf of the Board

A. Sankaranarayanan

DIRECTOR

**Auditors' Report (As on 31st March, 2004)
To The Members of Hindustan Motors Limited, USA**

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

The company's balance sheet and profit and loss statement were studied together with the books for the discrepancies in the entries. The following is my opinion on Hindustan Motors Limited :

1. The Company was incorporated in the state of Delaware with registrations in the state of New Jersey and in the state of Michigan. It has moved its operations from the state of New Jersey to Michigan and they are not conducting business in the state of New Jersey. In my opinion they have to close their operations from New Jersey.
2. The company is required by law to report Federal and State taxes on quarterly basis even when there is no taxes applicable. The above mentioned was not followed until the second quarter because there were no employees to report any taexes.
3. Pre-operative expenses were accounted till 31st December, 2003. All the expenses incurred towards establishment of the company and legal opinions and also the expense incurred towards Visa fees for transferring the employees from India to US totaling to USD 18641.25 are being consolidated as pre-operative expense to be charged off to Profit and Loss Account equally in 5 years beginning from the current year. The depreciation benefits have not been applied in the current year.
4. The major accounts entries were found to be made by Principal Officer and were claimed under expense report from the Company. Furthermore, the overall financial statements were presented fairly in all material respects conforming to the accounting principle generally accepted in USA.

31275 Northwestern Hwy Ste - 233
Farmington Hills, Michigan - 48334
19th May, 2004

Rama Cherukuri, P. C.
Certified Public Accountants

Balance Sheet for the year ending 31st March, 2004

| S. No. | Details | |
|--------|--|---------------------|
| | Shareholders' Funds | |
| 1. | Share Capital | \$35,000.00 |
| 2. | Surplus in P & L Account | (\$6,821.01) |
| 3. | Total shareholders' funds | \$28,178.99 |
| | Current Liabilities | |
| 4. | Accounts payable – Arval Krishna | \$45,318.53 |
| 5. | Other Accounts Payable | \$46,196.46 |
| 6. | Total | \$91,514.99 |
| 7. | Total Shareholders' funds & liabilities | \$119,693.98 |
| | APPLICATION OF FUNDS | |
| 1. | Gross Block | \$30,397.24 |
| 2. | Depreciation | \$0.00 |
| 3. | Net Block | \$30,397.24 |
| | Current assets | |
| 4. | Cash and bank balances | \$33,772.67 |
| 5. | Receivables | \$37,755.30 |
| 6. | Deposit | \$2,855.77 |
| 7. | Total | \$74,383.74 |
| 8. | Total assets | \$104,780.98 |
| 9. | Pre-operative Expenses | \$14,913.00 |
| 10. | Total assets + Pre-Operative expenses | \$119,693.98 |

Rama Cherukuri, P.C.

Certified Public Accountants
31275 Northwestern Hwy Ste-233,
Farmington Hills, Michigan - 48334
19th May, 2004

Arval Krishna
Principal Officer
Hindustan Motors Limited

Profit and Loss Account for the period ending 31st March, 2004

| Description | Debit | Credit |
|--|--------------------|--------------------|
| Income | | |
| Billing on Parent Company | | \$58,155.30 |
| Purchase Discounts | | \$9.95 |
| | | \$58,165.25 |
| Expenses | | |
| Office Lease Rentals | \$6,387.20 | |
| Leasehold improvements | \$600.00 | |
| Computer Software | \$264.95 | |
| Accounting & Legal | \$11,500.00 | |
| Courier & Postage | \$118.65 | |
| Insurance | \$10,286.92 | |
| Office Suppliers | \$1,398.99 | |
| Telephone | \$6,539.94 | |
| Travel & Entertainment | \$5,686.36 | |
| Visa Fee | \$13,400.00 | |
| Taxes | \$4,750.00 | |
| Bank Charges | \$325.00 | |
| Pre-operative expenses written off during the year | \$3,728.25 | |
| Total | \$64,986.26 | |
| Loss for the year | | (\$6,821.01) |

Rama Cherukuri, P.C.

Certified Public Accountants
31275 Northwestern Hwy Ste-233,
Farmington Hills, Michigan - 48334
19th May, 2004

Arval Krishna
Principal Officer
Hindustan Motors Limited

**Auditors' Report to the Board of Directors
of Hindustan Motors Limited on the consolidated financial statements of
Hindustan Motors Limited and its subsidiaries**

We have examined the attached consolidated Balance Sheet of HINDUSTAN MOTORS LIMITED and its subsidiaries as at 31st March 2004, and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We have not audited the financial statements of HM Export Limited and Hindustan Motors Limited USA, whose financial statements reflect total assets of Rs. 276.53 lacs as at 31st March 2004 and total revenues of Rs. 333.39 lacs for the year then ended. These financial statements have been audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Hindustan Motors Limited and its subsidiaries included in the consolidated financial statements.

Attention is drawn to the following notes on Schedule 24 whose impact on the Company's Loss/Profit & Loss Account Debit Balance is indicated in the respective notes below :

- a) *Note No.7 (a) regarding inclusive method of accounting followed by the Company and consideration of Cenvat element on inputs included in closing stock of finished goods, for the purpose of excise duty provision as on the Balance Sheet date, resulting into a net increase in loss for the year by Rs.163.76 lacs (after adjusting Rs. 1168.48 lacs being the Cenvat element included in the opening inventories).*
- b) *Note No. 7(b) regarding non-provision of leave liability for employees amounting to Rs. 397.07 lacs, as the same is accounted for on cash basis.*
- c) *Note No. 7(c) regarding non-provision of a part of gratuity liability amounting to Rs. 2096.74 lacs.*
- d) *Note No. 7(d) regarding non-provision of future monthly compensation amounting to Rs. 1531.92 lacs payable to the employees under Voluntary Early Retirement Scheme..*
- e) *Note No. 10 regarding recognition of Deferred Tax Asset (net) of Rs. 4128.89 lacs (including Rs. 1905.31 lacs during the year) pertaining to the Company. However, we are unable to express our opinion on the virtual certainty of the above adjustment.*

- f) *Note No.17 regarding non-provision of doubtful / disputed debts, claims and advances aggregating to Rs. 915.74 lacs, the impact whereof on the Company's loss is presently not ascertainable.*

Without considering item No. (f) above, whose impact on the Company's loss/Profit & Loss Account Debit Balance is not presently ascertainable, had the impact of items (a) to (e) above been considered, the loss for the year would have been Rs.17242.75 lacs (including Rs. 7215.85 lacs for earlier years) as against the reported loss of Rs. 8083.41 lacs and the Profit & Loss Account Debit Balance would have been Rs 19496.90 lacs, as against the reported figures of Rs. 10337.56 lacs.

Subject to the above, in our opinion, and on the basis of the information and explanations given to us, and also based on the consolidation of the separate audit reports on individual audited financial statements of Hindustan Motors Limited and its subsidiaries, the consolidated statements of account, read together with the 'Notes' appearing on Schedule 24, give a true and fair view:

- a) in the case of Consolidated Balance Sheet, of the consolidated state of affairs of Hindustan Motors Limited and its subsidiaries as at 31st March 2004;
- b) in the case of Consolidated Profit and Loss Account, of the consolidated results of operations of Hindustan Motors Limited and its subsidiaries for the year then ended; and
- c) in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of Hindustan Motors Limited and its subsidiaries for the year then ended.

22, Camac Street,
Block 'C', 3rd Floor
Kolkata-700 016
Dated : 24th May, 2004

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

**CONSOLIDATED BALANCE SHEET OF HINDUSTAN MOTORS LIMITED
AND ITS SUBSIDIARY COMPANIES AS AT MARCH 31, 2004**

| | Schedule | Rupees in lacs | |
|--|----------|-----------------|-----------------|
| | | March 31, 2004 | March 31, 2003 |
| SOURCES OF FUNDS | | | |
| A. SHAREHOLDERS' FUNDS | | | |
| a. Share Capital | 1 | 16125.68 | 16125.68 |
| b. Reserves & Surplus | 2 | 1766.84 | 1768.89 |
| | | <u>17892.52</u> | <u>17894.57</u> |
| B. LOANS | 3 | | |
| a. Secured | | 30994.02 | 31377.99 |
| b. Unsecured | | 6221.34 | 6592.81 |
| | | <u>37215.36</u> | <u>37970.80</u> |
| | | <u>55107.88</u> | <u>55865.37</u> |
| APPLICATION OF FUNDS | | | |
| A. FIXED ASSETS | 4 | | |
| a. Gross Block | | 75017.83 | 74331.83 |
| b. <i>Less</i> : Depreciation | | 43116.71 | 39513.80 |
| c. Net Block | | 31901.12 | 34818.03 |
| d. Capital work-in-progress | | 28.07 | 197.29 |
| | | <u>31929.19</u> | <u>35015.32</u> |
| B. INVESTMENTS | 5 | 108.10 | 513.11 |
| C. DEFERRED TAX ASSET (Net) | 6 | 4131.20 | 2228.87 |
| D. CURRENT ASSETS, LOANS & ADVANCES | | | |
| a. Inventories | 7 | 15840.55 | 21350.61 |
| b. Motor Vehicles given on Hire purchase contracts, Valued at Hires receivable | 8 | 43.67 | 66.30 |
| c. Sundry Debtors | 9 | 9795.70 | 12771.16 |
| d. Cash and Bank Balances | 10 | 1666.16 | 2444.38 |
| e. Other Current Assets | 11 | 603.26 | 1520.21 |
| f. Loans & Advances | 12 | 4831.76 | 3608.98 |
| | | <u>32781.10</u> | <u>41761.64</u> |
| E. <i>LESS</i> : CURRENT LIABILITIES & PROVISIONS | 13 | | |
| a. Current Liabilities | | 23613.38 | 24171.83 |
| b. Provisions | | 999.19 | 2633.26 |
| | | <u>24612.57</u> | <u>26805.09</u> |
| NET CURRENT ASSETS | | <u>8168.53</u> | <u>14956.55</u> |
| F. MISCELLANEOUS EXPENDITURE (To the extent not written off/adjusted) | 14 | 433.30 | 896.66 |
| G. PROFIT & LOSS ACCOUNT DEBIT BALANCE | | 10337.56 | 2254.86 |
| | | <u>55107.88</u> | <u>55865.37</u> |
| ACCOUNTING POLICIES AND NOTES ON ACCOUNTS | 24 | | |
| Schedules 1 to 14 and 24 referred to above form an integral part of the Balance Sheet. | | | |

In terms of our attached Report of even date.

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

(Membership No. 16667)
22, Camac Street, Kolkata - 700 016
May 24, 2004

T. E. S. Varadhan
Sr. Vice President – Corporate Finance
G. N. Pareek
Secretary

For and on behalf of the Board

C. K. Birla
Chairman
A. Sankaranarayanan
Managing Director

**CONSOLIDATED PROFIT & LOSS ACCOUNT OF HINDUSTAN MOTORS LIMITED
AND ITS SUBSIDIARY COMPANIES FOR THE YEAR ENDED MARCH 31, 2004**

| | | Rupees in lacs | |
|---|----------|------------------|------------------|
| | Schedule | 2003 – 04 | 2002– 03 |
| INCOME | | | |
| Sales & Services | 15 | 86069.85 | 107501.93 |
| Less : Excise Duty and Sales Tax & Works Contract Tax [Net of Cenvat utilised Rs. 6938.72 lacs (Rs. 9395.76 lacs)] | | 12974.41 | 18260.58 |
| | | <u>73095.44</u> | <u>89241.35</u> |
| Finance charges & commission on hire purchase contracts | 16 | 7.16 | 9.15 |
| Other Income | 17 | 977.55 | 1152.78 |
| | | <u>74080.15</u> | <u>90403.28</u> |
| EXPENDITURE | | | |
| Decrease / (Increase) in Stocks | 18 | 1351.08 | (1523.26) |
| Raw Materials and Components Consumed | 19 | 47092.68 | 59615.88 |
| Stores & Spares Consumed | | 2539.18 | 2762.10 |
| Fuel & Electricity (Net) | | 2312.54 | 2307.11 |
| Payments to and Provisions for Employees | 20 | 10848.82 | 11214.98 |
| Other Expenses | 21 | 10138.73 | 10312.17 |
| Directors' Remuneration | | 117.69 | 104.67 |
| | | <u>74400.72</u> | <u>84793.65</u> |
| PROFIT / (LOSS) BEFORE INTEREST, DEPRECIATION & TAXATION | | <u>(320.57)</u> | <u>5609.63</u> |
| Interest | 22 | 5522.56 | 5470.86 |
| Depreciation | 23 | 4120.61 | 4164.73 |
| | | <u>9643.17</u> | <u>9635.59</u> |
| LOSS BEFORE TAXATION | | 9963.74 | 4025.96 |
| Provision for Taxation | | 22.00 | 21.18 |
| Deferred Tax (Refer Note No. 10 on Schedule 24) | | (1902.33) | (1379.45) |
| | | <u>(1880.33)</u> | <u>(1358.27)</u> |
| LOSS AFTER TAXATION | | 8083.41 | 2667.69 |
| Add / (Less) : Excess Provision for Taxation Written Back (After adjusting tax for earlier years) | | (0.71) | (0.53) |
| Debenture Redemption Reserve Written Back | | – | (144.00) |
| Provision for Tax on Proposed Dividend | | – | 1.35 |
| Loss Brought forward from Previous Year | | 2254.86 | 905.35 |
| Transfer from General Reserve | | – | (1175.00) |
| | | <u>10337.56</u> | <u>2254.86</u> |
| Loss Carried to Balance Sheet | | 10337.56 | 2254.86 |
| Earning per share – Basic and Diluted (Rs.) | | - 5.01 | - 1.66 |
| ACCOUNTING POLICIES AND NOTES ON ACCOUNTS | 24 | | |
| Schedules 15 to 24 referred to above form an integral part of the Profit & Loss Account. | | | |

In terms of our attached Report of even date.

S. R. Batliboi & Co.

Chartered Accountants

per **R. K. Agrawal**
a Partner

(Membership No. 16667)

22, Camac Street, Kolkata - 700 016

May 24, 2004

For and on behalf of the Board

C. K. Birla
Chairman

T. E. S. Varadhan
Sr. Vice President – Corporate Finance

G. N. Pareek
Secretary

A. Sankaranarayanan
Managing Director

**HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES CONSOLIDATED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004**

| | Rupees in lacs | |
|---|------------------|------------------|
| | March 31, 2004 | March 31, 2003 |
| (A) CASH FLOW FROM OPERATING ACTIVITIES : | | |
| NET LOSS BEFORE TAXATION AND EXTRAORDINARY ITEMS | (9963.74) | (4025.96) |
| Adjustments for : | | |
| Depreciation | 4120.61 | 4164.73 |
| Deferred Revenue Expenditure | 471.55 | 484.96 |
| Interest Expenses (net) | 5457.41 | 5361.45 |
| Financial Lease Rentals | 11.95 | 12.41 |
| Foreign Exchange Losses (Net) | 39.31 | 394.67 |
| Profit on Fixed Assets Sold/Discarded | (3.67) | (318.48) |
| Coupon Swap Income | (76.05) | - |
| Dividend Income | (0.60) | (9.00) |
| Surplus on Sale of Investment | (171.00) | - |
| OPERATING PROFIT / (LOSS) BEFORE WORKING CAPITAL CHANGES | (114.23) | 6064.78 |
| Increase/(Decrease) in Trade Payables | (1928.72) | 1552.80 |
| Decrease in Trade & Other Receivables | 2670.13 | 277.72 |
| Decrease / (Increase) in Inventories | 5510.06 | (4664.74) |
| CASH GENERATED FROM OPERATIONS | 6137.24 | 3230.56 |
| Add : Direct Tax Refund (Paid)/ received (net)(including for earlier years) | (27.91) | (28.78) |
| NET CASH FLOW FROM OPERATING ACTIVITIES | 6109.33 | 3201.78 |
| (B) CASH FLOW FROM INVESTING ACTIVITIES : | | |
| Sale of Fixed Assets | 226.49 | 822.20 |
| Dividend Received | 0.60 | 9.00 |
| Proceeds from sale of Investments | 576.01 | 1.95 |
| Purchase of Fixed Assets | (1294.15) | (1888.08) |
| Repayment of Finance Lease Liability | (26.11) | (12.41) |
| NET CASH USED IN INVESTING ACTIVITIES | (517.16) | (1067.34) |
| (C) CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from Long Term Borrowings | 894.94 | 2416.08 |
| Net Increase / (Decrease) from other borrowings | (1390.81) | (66.29) |
| Coupon Swap Income | 76.05 | - |
| | (419.82) | 2349.79 |
| Repayment of Long Term Loans | (712.59) | (487.06) |
| Interest Paid (Net of Interest Received) | (5197.13) | (4925.80) |
| Dividend Paid (for earlier years) | (0.66) | (0.39) |
| Payment to Investor Protection Fund | (40.19) | (2.38) |
| NET CASH USED IN FINANCING ACTIVITIES | (6370.39) | (3065.84) |
| NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C) | (778.22) | (931.40) |
| * CASH & CASH EQUIVALENTS - OPENING BALANCE | 2444.38 | 3375.78 |
| | 1666.16 | 2444.38 |
| * CASH & CASH EQUIVALENTS - CLOSING BALANCE | 1666.16** | 2444.38 |

* Represents Cash and Bank Balances as indicated in Schedule 9

**Includes Rs. 102.70 lacs (Rs. 136.74 lacs) lying in unpaid Dividend / Debenture Interest Account and Fixed Deposit of Rs. 13.75 lacs (Rs. 13.36 lacs) in lien with Banks.

In terms of our attached Report of even date.

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

(Membership No. 16667)
22, Camac Street, Kolkata - 700 016
May 24, 2004

T. E. S. Varadhan
Sr. Vice President - Corporate Finance
G. N. Pareek
Secretary

For and on behalf of the Board

C. K. Birla
Chairman
A. Sankaranarayanan
Managing Director

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

Rupees in lacs
March 31, 2004 March 31, 2003

SCHEDULE 1 : SHARE CAPITAL

Authorised :

| | | | |
|--------------|-------------------------------------|----------|----------|
| 16,50,00,000 | Ordinary Shares of Rs. 10 each | 16500.00 | 16500.00 |
| 55,00,000 | Unclassified Shares of Rs. 100 each | 5500.00 | 5500.00 |
| | | 22000.00 | 22000.00 |

Issued :

| | | | |
|--------------|--------------------------------|----------|----------|
| 16,15,89,297 | Ordinary Shares of Rs. 10 each | 16158.93 | 16158.93 |
|--------------|--------------------------------|----------|----------|

Subscribed & Paid-up :

| | | | |
|--------------|---|----------|----------|
| 16,11,71,993 | Ordinary Shares of Rs. 10 each fully paid up | 16117.20 | 16117.20 |
| | <i>Add</i> : Forfeited Shares (Amount originally paid up) | 8.48 | 8.48 |

Note : Issued & Subscribed Capital includes 1,53,59,409 Ordinary Shares issued and allotted as fully paid up Bonus shares by Capitalisation of Capital Redemption Reserve & General Reserve and 5,34,22,010 Ordinary Shares issued and allotted as fully paid-up upon conversion of Fully Convertible Debentures.

| | | |
|--|----------|----------|
| | 16125.68 | 16125.68 |
|--|----------|----------|

SCHEDULE 2 : RESERVES & SURPLUS

CAPITAL RESERVE :

| | | | |
|----|--|---------|---------|
| a) | Net Surplus on Revaluation of Fixed Assets | | |
| | As per last account | 1321.06 | 1326.96 |
| | <i>Less</i> : Adjustment towards assets sold | 0.08 | 4.74 |
| | <i>Less</i> : Transfer to Depreciation Account | 1.09 | 1.16 |
| | | 1319.89 | 1321.06 |

b) Others :

| | | | |
|---------------------|--|---------|---------|
| As per last Account | | 3.53 | 3.53 |
| | | 1323.42 | 1324.59 |

GENERAL RESERVE

| | | | |
|---|--|---|---------|
| As per last account | | - | - |
| <i>Add</i> : Transfer from Securities Premium Account | | - | 1175.00 |
| | | - | 1175.00 |
| <i>Less</i> : Transfer to Profit & Loss Account | | - | 1175.00 |
| | | - | - |

SECURITIES PREMIUM ACCOUNT

| | | | |
|---|--|--------|---------|
| As per last account | | 317.28 | 1492.28 |
| <i>Less</i> : Transfer to General Reserve | | - | 1175.00 |
| | | 317.28 | 317.28 |

CENTRAL SUBSIDY

| | | | |
|---------------------|--|-------|-------|
| As per last account | | 15.00 | 15.00 |
|---------------------|--|-------|-------|

DEBENTURE REDEMPTION RESERVE

| | | | |
|---|--|---|--------|
| As per last account | | - | 144.00 |
| <i>Less</i> : Transfer to Profit & Loss Account | | - | 144.00 |
| | | - | - |

INVESTMENT ALLOWANCE RESERVE

| | | | |
|---------------------|--|----------|--------|
| As per last account | | 112.02 * | 112.02 |
|---------------------|--|----------|--------|

FOREIGN CURRENCY TRANSLATION RESERVE

| | | | |
|--------------------------------------|--|---------|---------|
| (Refer Note No. 1(e) on Schedule 24) | | (0.88) | - |
| | | 1766.84 | 1768.89 |

* Fully utilised for acquiring Plant & Machinery

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

| | Rupees in lacs | |
|--|-----------------|-----------------|
| | March 31, 2004 | March 31, 2003 |
| SCHEDULE 3 : LOANS | | |
| SECURED : (Note No. 6 on Schedule 24) | | |
| NIL 18% Secured Redeemable Non Convertible (500000) Debentures of Rs. 100 each (Privately placed) | - | 165.99 |
| Less : Redeemed during the year | - | 165.99 |
| | <u>-</u> | <u>-</u> |
| From Financial Institutions : | | |
| Rupee Term Loans | 11681.12 | 11683.12 |
| From Scheduled Banks : | | |
| Rupee Term Loans | 11168.99 | 11879.57 |
| Against hypothecation of stocks and Book Debts : | | |
| Cash / Credits (including Demand loans) | 5333.17 | 3758.49 |
| Foreign Currency Loans | 1665.77 | 3366.03 |
| Deferred Payment Credits (Secured by assets acquired under Lease) | 51.30 | 65.46 |
| Interest accrued and due | 1093.67 | 625.32 |
| | <u>30994.02</u> | <u>31377.99</u> |
| UNSECURED : | | |
| LONG TERM | | |
| Sales tax Deferral Credit | 3874.81 | 2979.87 |
| | <u>3874.81</u> | <u>2979.87</u> |
| SHORT TERM | | |
| From Scheduled Banks : | | |
| Foreign Currency Loans | - | 822.52 |
| Rupee loans | 273.75 | 1252.04 |
| | <u>273.75</u> | <u>2074.56</u> |
| From Bodies Corporate | 1920.00 | 1375.00 |
| Security & Other Deposits | 152.78 | 161.66 |
| Interest accrued and due | - | 1.72 |
| | <u>2346.53</u> | <u>3612.94</u> |
| | 6221.34 * | 6592.81 |
| | <u>37215.36</u> | <u>37970.80</u> |

* Includes Rs. 2328.17 lacs (Rs. 3551.28 lacs) due for payment within one year.

**HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARY COMPANIES
SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS AS AT AND FOR THE YEAR ENDED MARCH 31 2004**

SCHEDULE 4 : FIXED ASSETS

| DESCRIPTION OF ASSETS | Rupees in lacs | | | | | | | | | | | |
|------------------------------|----------------------------|----------------|-----------------------|----------------------------|---------------------------|-----------------|------------------------------------|---------------------------|----------------------------|----------------------------|-----------|--|
| | GROSS BLOCK | | | | | DEPRECIATION | | | | | NET BLOCK | |
| | As at March 31, 2003 | Additions | Sales/ Adjustments | As at March 31, 2004 | Upto March 31, 2003 | For the year | Less : On Sales/ Adjustments | Upto March 31, 2004 | As at March 31, 2004 | As at March 31, 2003 | | |
| GOODWILL | 0.05 | - | - | 0.05 | 0.05 | - | - | 0.05 | - | - | | |
| FREE HOLD LAND | 1281.23 | - | 8.24 | 1272.99 | - | - | - | - | 1272.99 | 1281.23 | | |
| LEASE HOLD LAND | 162.79 | - | - | 162.79 | 34.68 | 5.45 | - | 40.13 | 122.66 | 128.11 | | |
| BUILDINGS | 11125.83 | 219.66 | 76.90 | 11268.59 (a) | 4178.28 | 240.90 | 12.43 | 4406.75 | 6861.84 | 6947.55 | | |
| MACHINERY & EQUIPMENT | 59592.73 | 1006.11 (b) | 494.48 | 60104.36 (b) | 34135.32 | 3735.70 | 436.90 | 37434.12 | 22670.24 | 25457.41 | | |
| RAILWAY SIDINGS | 2.13 | - | - | 2.13 | 2.02 | - | - | 2.02 | 0.11 | 0.11 | | |
| FURNITURE & FITTINGS | 1100.17 | 21.94 | 14.18 | 1107.93 | 712.15 | 44.16 | 8.02 | 748.29 | 359.64 | 388.02 | | |
| VEHICLES | 1066.90 | 179.97 | 147.88 | 1098.99 | 451.30 | 95.49 | 61.44 | 485.35 | 613.64 | 615.60 | | |
| CAPITAL WORK IN PROGRESS | 74331.83 | 1427.68 (c) | 741.68 (d) | 75017.83 | 39513.80 | 4121.70 | 518.79 | 43116.71 | 31901.12 | 34818.03 | | |
| | 197.29 | 261.24 | 430.46 | 28.07 (e) | - | - | - | - | 28.07 | 197.29 | | |
| TOTAL - THIS YEAR | 74529.12 | 1688.92 | 1172.14 | 75045.90 | 39513.80 | 4121.70 | 518.79 | 43116.71 | 31929.19 | 35015.32 | | |
| TOTAL - PREVIOUS YEAR | 73350.43 | 2176.58 | 997.89 | 74529.12 | 35763.38 | 4165.89 | 415.47 | 39513.80 | 35015.32 | 37587.05 | | |

Notes : (a) Includes Rs. 4.50 Lacs (Rs. 9.09 Lacs) being the value of ownership premises and shares in Co-operative Housing Societies.

(b) Includes Exchange rate fluctuations (net) Rs. 13.33 Lacs (Rs. 0.30 Lacs) and Assets acquired on Finance Lease, Gross Book Value being Rs. 71.12 Lacs (Rs. 71.12 Lacs) and Net Book Value being Rs. 56.43 Lacs (Rs. 67.96 Lacs).

(c) Includes Capital Expenditure on Scientific Research Rs. 73.68 Lacs (Rs. 28.57 Lacs).

(d) Includes Rs. 500.39 Lacs (Rs. 223.86 Lacs) being the value of Assets discarded.

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

(f) Land & Buildings of certain Units were revalued during the year ended 31.03.1984 and the resulting Surplus thereon, was transferred to Revaluation Reserve.

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

Rupees in lacs
March 31, 2004 *March 31, 2003*

SCHEDULE 5 : INVESTMENTS (At Cost)

| | Number of Shares/ Debentures | Face Value Per Share/ Debenture Rs. | | | |
|---|------------------------------------|--|---------------|--|----------------------|
| LONG TERM (OTHER THAN TRADE) (FULLY PAID) | | | | | |
| * GOVERNMENT SECURITIES (UNQUOTED) : | | | | | |
| 12 Year National Planning Certificates | | | 0.02 | | <i>0.02</i> |
| 12 Year National Defence Certificates | | | 0.02 | | <i>0.02</i> |
| National Savings Certificates | | | 0.06 | | <i>0.06</i> |
| | | | <u>0.10</u> | | <u><i>0.10</i></u> |
| QUOTED | | | | | |
| ORDINARY SHARES | | | | | |
| Hindustan Powerplus Ltd. | – | – | – | | <i>405.00</i> |
| | (1800000) | (10) | | | |
| Hyderabad Industries Ltd. | 175000 | 10 | 105.00 | | <i>105.00</i> |
| | | | <u>105.00</u> | | <u><i>510.00</i></u> |
| UNQUOTED | | | | | |
| ORDINARY SHARES | | | | | |
| Birla Buildings Ltd. | 30000 | 10 | 3.00 | | <i>3.00</i> |
| DEBENTURES | | | | | |
| 8% Mortgage Debentures of Indian Chamber of Commerce | – | – | – | | <i>0.01</i> |
| | (12.5) | (100) | | | |
| | | | <u>3.00</u> | | <u><i>3.01</i></u> |
| | | | <u>108.00</u> | | <u><i>513.01</i></u> |
| | | | <u>108.10</u> | | <u><i>513.11</i></u> |

AGGREGATE VALUE OF INVESTMENTS :

| | Market Value | Cost | Market Value | Cost |
|----------|-----------------|---------------|-----------------|----------------------|
| Quoted | 40.86 | 105.00 | <i>583.29</i> | <i>510.00</i> |
| Unquoted | | 3.10 | | <i>3.11</i> |
| | | <u>108.10</u> | | <u><i>513.11</i></u> |

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

SCHEDULE 6 : DEFERRED TAX ASSET

| | | |
|--|----------------|-----------------------|
| Balance as per last account | 2228.87 | <i>849.43</i> |
| Added during the year (Refer Note No. 10 on Schedule 24) | 1902.33 | <i>1379.44</i> |
| | <u>4131.20</u> | <u><i>2228.87</i></u> |

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

| | Rupees in lacs | |
|--|--------------------|-----------------|
| | March 31, 2004 | March 31, 2003 |
| SCHEDULE 7 : INVENTORIES | | |
| At lower of cost or net realisable value | | |
| Stores & Spares | 437.41 * | 510.82 |
| Loose Tools | 338.14 | 362.38 |
| Raw Materials and Components [including Boughtout Components & Service Parts for Sale Rs. 1911.55 lacs (Rs. 2393.28 lacs)] | 10978.96 | 14589.44 |
| Goods under process | 2456.01 | 2208.31 |
| Finished Goods | 1630.03 | 3679.66 |
| | <u>15840.55 **</u> | <u>21350.61</u> |

* Includes discarded fixed assets awaiting disposal Rs. 33.92 lacs (Rs. 19.98 lacs).

** Includes materials lying with third parties / in Bond and in transit Rs. 2519.19 lacs (Rs. 5256.19 lacs).

**SCHEDULE 8 : MOTOR VEHICLES GIVEN ON HIRE PURCHASE
CONTRACTS, VALUED AT HIRES RECEIVABLE**

| | | |
|---|--------------|--------------|
| Standard assets | 35.41 | 61.48 |
| Non-Performing assets | 13.84 | 19.49 |
| | <u>49.25</u> | <u>80.97</u> |
| <i>Less</i> : Provision for Non-Performing assets | 5.58 | 14.67 |
| | <u>43.67</u> | <u>66.30</u> |

SCHEDULE 9 : SUNDRY DEBTORS

Considered good except otherwise stated :

| | | |
|--|-------------------|-----------------|
| (a) Debts outstanding for a period exceeding six months | | |
| Secured | 33.25 | 33.73 |
| Unsecured | 1767.03 | 1953.94 |
| | <u>1800.28</u> | <u>1987.67</u> |
| (b) Other Debts : | | |
| Secured | 44.74 | 46.34 |
| Unsecured | 7967.05 | 10328.08 |
| | <u>8011.79</u> | <u>10374.42</u> |
| (c) Due from Caterpillar India (P) Ltd. against transfer of EED (Exceeding six months) (Refer Note No. 16 on Schedule 24) | 723.46 | 1011.25 |
| | <u>10535.53 *</u> | <u>13373.34</u> |
| <i>Less</i> : Provision for doubtful debts | 739.83 | 602.18 |
| | <u>9795.70</u> | <u>12771.16</u> |

* Includes Considered doubtful Rs. 1069.66 lacs (Rs. 953.40 lacs).

SCHEDULE 10 : CASH & BANK BALANCES

| | | |
|--|----------------|----------------|
| Cash in hand (including cheques) | 50.55 | 31.07 |
| Remittances in transit | 1001.69 | 1519.54 |
| With Scheduled Banks on : | | |
| Fixed Deposit Account | 171.23 | 293.84 |
| Current Account | 325.40 | 449.02 |
| Margin Deposit Account | 14.59 | 14.17 |
| Unpaid Dividend/Debenture Redemption/Interest Accounts | 102.70 | 136.74 |
| | <u>1666.16</u> | <u>2444.38</u> |

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

| | Rupees in lacs | |
|---|-----------------|----------------|
| | March 31, 2004 | March 31, 2003 |
| SCHEDULE 11 : OTHER CURRENT ASSETS | | |
| Unsecured : | | |
| Considered good except otherwise stated : | | |
| Interest accrued on Deposits | 4.60 | 6.86 |
| Export Incentives receivable | 58.09 | 127.62 |
| Insurance & Other Claims receivable | 567.05 | 1428.56 |
| | <u>629.74 *</u> | <u>1563.04</u> |
| <i>Less</i> : Provision for doubtful claims | 26.48 | 42.83 |
| | <u>603.26</u> | <u>1520.21</u> |
| * Includes Rs. 413.29 lacs (Rs. 413.29 lacs) under dispute and Rs. 32.79 lacs (Rs. 50.16 lacs) considered doubtful. | | |

SCHEDULE 12 : LOANS & ADVANCES

Unsecured :

Considered good except otherwise stated :

| | | |
|--|-------------------|----------------|
| Advances against Capital Contracts | 124.17 | 91.70 |
| Other advances recoverable in cash or in kind or for value to be received or pending adjustments | 817.45 | 817.85 |
| Loans / Advances to Officers * | 10.54 | 13.37 |
| Balance with Customs, Port Trust & Other Government Departments | 280.03 | 120.52 |
| Sales / Works contract tax refunds receivable (including payments under appeal) | 2312.71 | 1296.48 |
| Advance Payment of Income Tax & refunds receivable (Net of Provision) | 10.03 | 3.41 |
| Deposits with Government Departments & Others | 1430.48 | 1422.82 |
| | <u>4985.41 **</u> | <u>3766.15</u> |
| <i>Less</i> : Provision for doubtful advances | 153.65 | 157.17 |
| | <u>4831.76</u> | <u>3608.98</u> |

* Including Rs. 8.43 lacs (Rs. 8.61 lacs) due from the Executive Director.

* Maximum amount due from officers at any time during the year Rs. 32.75 lacs (Rs. 23.36 lacs), including Rs. 8.61 lacs (Rs. 10.04 lacs) from the Executive Director.

** Includes considered doubtful Rs. 319.96 lacs (Rs. 377.41 lacs).

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

| | Rupees in lacs | |
|--|-----------------|-----------------|
| | March 31, 2004 | March 31, 2003 |
| SCHEDULE 13 : CURRENT LIABILITIES & PROVISIONS | | |
| A. CURRENT LIABILITIES | | |
| Acceptances | 5827.60 | 6724.45 |
| Sundry Creditors for goods, services, expenses etc. | 15691.58 | 15423.92 |
| Advances against Sales / Orders | 745.28 | 370.30 |
| Investor Education and Protection Fund | | |
| Unpaid Dividend | 89.85 | 121.49 |
| Unclaimed Debentures Redemption | 10.70 | 15.60 |
| Interest accrued and due on above | 11.84 | 16.69 |
| Other Liabilities | 725.13 | 782.12 |
| Interest accrued but not due : | | |
| On Secured Loans | 480.42 | 703.02 |
| On Unsecured Loans | 30.98 | 14.24 |
| | <u>23613.38</u> | <u>24171.83</u> |
| B. PROVISIONS | | |
| For Customs & Excise Duty | 995.31 | 2621.27 |
| For Tax on Proposed Dividend | - | 1.35 |
| Estimated Unearned Finance Charges Carried forward | 3.88 | 10.64 |
| | <u>999.19</u> | <u>2633.26</u> |
| | <u>24612.57</u> | <u>26805.09</u> |
| SCHEDULE 14 : MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off / adjusted) | | |
| DEFERRED REVENUE EXPENDITURE : | | |
| Restructuring fees | 131.67 * | 197.50 |
| Lump Sum Compensation Payments against Voluntary Retirement Scheme | 210.72 * | 390.11 |
| Product / Market Development Expenses | 84.42 * | 309.05 |
| Preliminary Expenses | 6.49 | - |
| | <u>433.30</u> | <u>896.66</u> |
| * Represents expenses incurred prior to 31st March, 2003. | | |

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

| | Rupees in lacs | |
|--|------------------|------------------|
| | 2003-04 | 2002-03 |
| SCHEDULE 15 : SALES & SERVICES | | |
| Finished Goods [including items Capitalised Rs. 174.40 lacs (Rs. 88.98 lacs)] | 70483.35 | 92279.67 |
| Trading Goods & Service Parts | 11952.55 | 14109.21 |
| Job Charges | 2967.12 | 390.35 |
| Others | 666.83 | 722.70 |
| | <u>86069.85</u> | <u>107501.93</u> |
| SCHEDULE 16 : FINANCE CHARGES & COMMISSION | | |
| Value of Hire Purchase Contracts (including Finance Charges & Commission) | 6.02 | 42.59 |
| <i>Add</i> : Estimated Unearned Finance Charges Brought Forward from previous year | 10.65 | 13.17 |
| | <u>16.67</u> | <u>55.76</u> |
| <i>Less</i> : Estimated Unearned Finance Charges carried forward to next year | 3.88 | 10.64 |
| | <u>12.79</u> | <u>45.12</u> |
| <i>Less</i> : Value of Motor Vehicles given on Hire Purchase Contracts | 5.63 | 35.97 |
| | <u>7.16</u> | <u>9.15</u> |
| SCHEDULE 17 : OTHER INCOME | | |
| Dividend on Long Term Investments (Gross) | 0.60 | 9.00 |
| Interest on Debts, Deposits, Advances, Hirers etc. | 65.15 | 109.41 |
| Insurance & Other Claims | 22.73 | 38.91 |
| Rent & Hire Charges | 25.22 | 24.43 |
| Miscellaneous Income | 191.03 * | 139.12 |
| Unspent Liabilities and Provisions no longer required written back | 498.15 | 513.45 |
| Surplus on sale of Investments | 171.00 | - |
| Net surplus on fixed assets sold / discarded | 3.67 | 318.46 |
| | <u>977.55 **</u> | <u>1152.78</u> |

* Includes Swap coupon income Rs. 76.05 lacs.

** Includes Tax at Source Rs. 7.64 lacs (Rs. 3.11 lacs)

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

| | Rupees in lacs | |
|--|----------------|------------------|
| | 2003-04 | 2002-03 |
| SCHEDULE 18 : DECREASE / (INCREASE) IN STOCKS | | |
| Closing Stock : | | |
| Goods under Process | 2456.01 | 2208.31 |
| Finished Goods | 1630.03 | 3679.66 |
| | <u>4086.04</u> | <u>5887.97</u> |
| Less : Opening Stock : | | |
| Goods under Process | 2208.31 | 2047.17 |
| Finished Goods | 3679.66 | 1966.74 |
| | <u>5887.97</u> | <u>4013.91</u> |
| | 1801.93 | (1874.06) |
| Less : Excise duty* | 450.85 | (350.80) |
| | <u>1351.08</u> | <u>(1523.26)</u> |

* Represents differential Excise Duty on
Opening & Closing Stock of Finished goods.

**SCHEDULE 19 : RAW MATERIALS AND
COMPONENTS CONSUMED**

| | | |
|---|-----------------|-----------------|
| Opening Stock | 14589.44 | 11718.58 |
| Add : Purchases [includes bought out service parts for sale Rs. 5902.82 lacs (Rs. 8576.81 lacs)] | 43509.75 | 62528.72 |
| | <u>58099.19</u> | <u>74247.30</u> |
| Less : Transferred to Fixed Assets & Other Accounts | 11.37 | 13.19 |
| Sales | 16.18 | 28.79 |
| Closing Stock | 10978.96 | 14589.44 |
| | <u>11006.51</u> | <u>14631.42</u> |
| | <u>47092.68</u> | <u>59615.88</u> |

**SCHEDULE 20 : PAYMENTS TO AND PROVISIONS
FOR EMPLOYEES**

| | | |
|---|-----------------|-----------------|
| Salaries, Wages & Bonus | 8480.28 | 8712.02 |
| Contribution to Provident, Gratuity & Other Funds | 1625.15 | 1806.14 |
| Welfare Expenses | 743.39 | 696.82 |
| | <u>10848.82</u> | <u>11214.98</u> |

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

| | Rupees in lacs | |
|--|-----------------|-----------------|
| | 2003-04 | 2002-03 |
| SCHEDULE 21 : OTHER EXPENSES | | |
| Rent & Hire Charges | 387.36 | 413.26 |
| Building Repairs | 171.28 | 127.90 |
| Machinery Repairs | 344.97 | 318.80 |
| Insurance | 260.41 | 256.16 |
| Rates & Taxes | 54.54 | 51.98 |
| Royalties & Technical Assistance Fees | 403.28 | 541.17 |
| Commission to Selling Agents & Others | 7.20 | 4.90 |
| Selling Expenses, Service Charges, Claims etc. (Net) | 2933.37 | 3044.22 |
| Delivery Charges, Freight & Transportation etc. | 776.48 | 753.50 |
| Miscellaneous Expenses | 3354.90 | 3262.20 |
| Exchange Rate Difference (Net) | 52.64 | 394.97 |
| Charity & Donations | - | 0.25 |
| Directors' Travelling | 11.20 | 35.10 |
| Auditors' Remuneration : | | |
| As Auditors | 25.31 | 25.27 |
| Other Services for issuing various certificates [Including Rs. 13.50 lacs (Rs. 7.88 lacs) for Limited review of accounts] | 34.09 | 21.63 |
| Reimbursement of Service Tax, Travelling and other expenses | 5.94 | 5.20 |
| Cost Auditor's Remuneration | 1.07 | 1.14 |
| Deferred Revenue expenditure written off | 471.55 | 484.96 |
| Cash Discount | 87.44 | 59.28 |
| Items pertaining to previous years (Net) | 452.87 | 121.24 |
| Turnover and other Taxes | 122.74 | 101.50 |
| Provision for Doubtful debts, Claims, Advances etc. | 188.10 | 269.16 |
| Less : Written Back | <u>30.37</u> | <u>7.60</u> |
| | 157.73 | 261.56 |
| Irrecoverable Debts, Claims & Advances written off | 71.40 | 49.11 |
| Less : Adjusted against Provision | <u>52.41</u> | <u>24.29</u> |
| | 18.99 | 24.82 |
| Provision against non-performing assets | <u>3.37</u> | <u>1.16</u> |
| | <u>10138.73</u> | <u>10312.17</u> |
| SCHEDULE 22 : INTEREST | | |
| On Fixed Loans & Deposits | 4073.62 | 4210.67 |
| To Banks & Others | 1448.94 | 1260.19 |
| | <u>5522.56</u> | <u>5470.86</u> |
| SCHEDULE 23 : DEPRECIATION | | |
| On Fixed Assets | 4121.70 | 4165.89 |
| Less : Transfer from Capital Reserve being additional Depreciation on revalued Fixed Assets | 1.09 | 1.16 |
| | <u>4120.61</u> | <u>4164.73</u> |

SCHEDULE 24 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. PRINCIPLES OF CONSOLIDATION FINANCIAL STATEMENT :

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

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

| Name | Country of Incorporation | % of Voting power as on 31.03.2004 |
|--|--------------------------|------------------------------------|
| Hindustan Motor Finance Corporation Ltd. (HMFC Ltd.) | India | 100 |
| HM Export Ltd. | India | 100 |
| Hindustan Motors Ltd., U.S.A. * | Delaware, U.S.A. | 100 |

* Set up during the year by investing Rs. 16.25 lacs.

- (e) Exchange fluctuations on conversion of the accounts of foreign subsidiary have been taken to "Foreign Currency Translation Reserve" in Schedule 2.

2. ACCOUNTING POLICIES :

(I) **Basis of Accounting :**

- (a) The Company prepares its accounts on accrual basis, except otherwise stated, in accordance with the normally accepted accounting principles.
- (b) Revenue from sale of goods and services rendered is recognised upon passage of title and rendering of services, to the customers.
- (c) Insurance and other claims, to the extent considered recoverable, are accounted for in the year of claim. However, claims and refunds whose recovery cannot be ascertained with reasonable certainty, are accounted for on acceptance/actual receipt basis.
- (d) Income in respect of Finance Commission is recognised at the time of execution of Hire Purchase Agreement.
- (e) The following accounts due to uncertainty in realisation, are maintained on actual receipt basis :
 - (i) Income on non-performing assets as per guidelines prescribed by the Reserve Bank of India.
 - (ii) Interest and miscellaneous charges recoverable on overdue hires.
 - (iii) Rent from a Sub-tenant.

(II) **Fixed Assets :**

- (a) Fixed Assets are stated at cost of acquisition inclusive of duties (net of cenvat), taxes, incidental expenses, erection/commissioning expenses, technical know-how fees and interest etc. upto the date the asset is put to use. In case of revaluation of fixed assets, the original cost as written up by the valuer, is considered in the accounts and the differential amount is transferred to capital reserve.
- (b) Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual useful life of the respective assets.

(III) Foreign Currency Transactions :

- (a) Foreign Currency transactions are recorded on the basis of exchange rates prevailing on the date of their occurrence.
- (b) Foreign Currency assets and liabilities (other than those covered by forward contracts) as on the Balance Sheet date are revalued in the accounts on the basis of exchange rates prevailing at the close of the year and exchange difference arising therefrom, is adjusted to the cost of fixed assets or charged to the Profit & Loss Account, as the case may be.
- (c) In case of transactions covered by forward contracts, the difference between the contract rate and exchange rate prevailing on the date of transaction, is adjusted to the cost of fixed assets or charged to the Profit & Loss Account, as the case may be, proportionately over the contract period.

(IV) Depreciation :

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

(V) Fixed Assets acquired under leases :

- (a) Finance Lease
 - (i) In respect of assets acquired prior to 1st April, 2001, the lease rentals are charged to Profit & Loss Account as and when accrued.
 - (ii) In respect of assets acquired after 1st April, 2001 which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to Expenses account.

Leased assets capitalised are depreciated over the shorter of the estimated useful life of the asset or the lease term.
- (b) Operating Lease
Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term.

(VI) Investments :

Current Quoted Investments are stated at lower of cost or market rate on individual investment basis. Unquoted and Long Term Investments are considered at cost, unless there is a permanent decline in value thereof, in which case, adequate provision is made there against in the accounts.

(VII) **Inventories :**

- (a) Inventories are valued at lower of cost, computed on annual/weighted/moving average basis or net realisable value.
- (b) The closing stock of materials inter-transferred from one unit to another is valued at cost of the transferor unit or net realisable value whichever is lower.
- (c) For the purpose of ascertaining 'cost', cenvat credits are included in the respective inventories.
- (d) Discarded Fixed Assets awaiting disposal, are included in Inventories and valued at estimated realisable value.

(VIII) **Excise Duty & Customs Duty :**

Excise Duty on Finished Goods stock lying at the factories is accounted for at the point of manufacture, after taking into account the impact of cenvat element therein which although charged off to revenue due to inclusive method of accounting, remains recoverable as on the Balance Sheet date, with respect to the closing stock. Similarly, Customs Duty on Imported Materials in transit/lying in Bonded Warehouse is accounted for at the time of import/bonding of materials.

(IX) **Research and Development :**

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

(X) **Retirement Benefits :**

- (a) The Company has created an approved gratuity fund which has taken a group gratuity insurance policy with Life Insurance Corporation of India (LIC), for future payment of gratuity to the employees. The Company accounts for gratuity liability equivalent to the premium amount payable every year as per calculation made by LIC, which together with annual contributions in the subsequent years would be sufficient to cover the gratuity liability as and when it accrues for payment.
- (b) Leave liability for employees is accounted for on payment basis except for HMFC Ltd., which is accounted for as per actuarial valuation.
- (c) Retirement benefits in the form of contribution to Provident and Superannuation funds are charged to Profit & Loss Account in the year when these become due.
- (d) Lumpsum payments under Voluntary Early Retirement Scheme are treated as deferred revenue expenses.
- (e) Compensation payable under Voluntary Early Retirement Scheme envisaging monthly payments, are charged to Profit & Loss Account as and when payable.

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

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

(XII) **Borrowing Costs :**

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are considered as a part of the cost of those assets, while other borrowing costs are recognised as expenses in the year in which they are incurred.

(XIII) **Warranty Claims :**

Provision for warranty claims is made on the basis of claims received from the dealers upto the cut-off date.

(XIV) Taxation :

Provision for Income Tax comprises of current tax and deferred tax charge or release. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being difference between taxable and accounting income/expenditure that originate in one period and are capable of reversal in one or more subsequent period(s). Deferred tax assets are not recognised unless there is "virtual certainty" that sufficient future taxable income will be available against which such deferred tax assets will be realised.

(XV) Segment Reporting :

(a) Identification of Segments :

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

(b) Allocation of Common Costs :

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

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

(XVI) Contingencies :

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

(XVII) Earning per share :

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

(XVIII) Deferred Revenue Expenditure :

Deferred revenue expenditure are written off in five equal annual instalments. However such expenses incurred up 31st March, 2003 continue to be written off in six equal annual instalments.

| | <i>Rupees in lacs</i> | |
|---|-----------------------|----------|
| | 2003-04 | 2002-03 |
| 3. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) | 337.16 | 596.84 |
| 4. Contingent Liabilities not provided for in respect of : | | |
| (a) Claims & Government demands against the Company not acknowledged as debts | 13730.32 | 15717.66 |

The Company does not expect any major impact to arise out of the above claims/demands.

Further, included in the above is a sum of Rs. 8583.52 lacs towards demands from sales tax authorities in respect of Chennai Car Plant, denying the benefit of sales tax waiver claimed by the Company since 1998-99. The Company has filed writ petitions in the Hon'ble Court of Chennai against the above demand.

Against the above claims/demands, payments have been made under protest and/or debts have been withheld by the respective parties, to the extent of Rs. 3223.53 lacs (Rs. 2228.68 lacs) including a sum of Rs. 2150.00 lacs deposited with sales tax authorities as per the direction of the Hon'ble High Court at Chennai while granting the stay of above recovery.

**CONSOLIDATED NOTES ON ACCOUNTS OF HINDUSTAN MOTORS LIMITED
AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

| | | <i>Rupees in lacs</i> | |
|-----|---|-----------------------|---------|
| | | 2003-04 | 2002-03 |
| (b) | Outstanding Bank Guarantees for import of materials and other accounts | 1063.57 | 1865.76 |
| (c) | Bonus for the years 1963-64 to 1967-68 at Hindmotor unit which is under adjudication (amount indeterminate). The Company contends that no liability exists in this regard under the Payment of Bonus Act, 1965. | | |
| (d) | Municipal taxes for land and buildings at Hindmotor unit contested by the Company. The matter is pending before the Hon'ble High Court at Kolkata (amount indeterminate). | | |
| (e) | Demand for interest amounting to Rs. 2133.97 lacs (Rs. 2133.97 lacs) raised by Madhya Pradesh State Industrial Development Corporation, about whose waiver the Company has applied for and expects a favourable response from the authorities. | | |
| (f) | Sales Tax on works contracts and lease rentals (amount not ascertainable). | | |
| (g) | Income Tax matters under appeal (amount unascertained). | | |
| 5. | Fixed Assets include proportionate cost of a part of Building (on leasehold land) and other assets amounting to Rs. 75.48 lacs (Rs. 71.89 lacs) held in joint ownership basis with others at Kolkata, which have been charged against the amount payable as rent for land and proportionate share of expenses. | | |
| 6. | (a) Rupee Term Loans Rs. 1.45 lacs from a Bank together with interest and other charges thereon, are secured by a pari passu mortgage charge on a part of the Company's land at Hindmotor, Trivellore, Halol, Pithampur and Hosur units, together with other immovable assets thereon, both present & future and by way of a pari passu hypothecation charge over all the movable assets pertaining to the Company's units at Hindmotor, Trivellore, Hosur, Halol and Pithampur (save and except stocks of raw materials, goods in process, finished goods and stores & spares not relating to plant & machinery and book debts). | | |
| | (b) Rupee Term Loans Rs. 14563.18 lacs from Financial Institutions and ICICI Bank Ltd. together with interest and other charges thereon, are secured by a pari passu mortgage charge on a part of the Company's land at Hindmotor, Trivellore, Pithampur and Hosur units together with other immovable assets thereon, both present and future and by way of a pari passu hypothecation charge over all the movable assets pertaining to the Company's units at Hindmotor, Trivellore, Hosur and Pithampur (save and except stocks of raw materials, goods in process, finished goods and stores & spares not relating to plant & machinery and book debts). | | |
| | (c) Rupee Term Loans Rs. 7750.00 lacs and Rs. 129.06 lacs from ICICI Bank Ltd. and a Scheduled Bank respectively, together with interest and other charges thereon, are secured by way of a pari passu mortgage charge created on a part of the Company's land at Hindmotor, Trivellore, Pithampur and Hosur units, together with other immovable assets thereon, both present & future and by way of a pari passu hypothecation charge over all the movable assets pertaining to its units at Hindmotor, Trivellore, Hosur and Pithampur (save and except stocks of raw materials, goods-in-process, finished goods and stores & spares not relating to plant & machinery and book debts). | | |
| | (d) The Charges referred to above rank pari passu amongst various Financial Institutions / Banks. | | |
| | (e) Cash Credit/Packing Credit/FCNR Loan facilities Rs. 6998.94 lacs are secured against hypothecation of stocks and book debts and also by a subordinate mortgage charge on a part of the Company's land at Hindmotor, Pithampur, Trivellore and Hosur units together with other immovable assets thereon, both present and future. The mortgage charge referred to above will rank after the charges created in favour of Financial Institutions and Banks in respect of their Loans as described in (a) to (c) above. | | |
| | (f) Short Term Loan Rs. 406.42 lacs from a Scheduled Bank together with interest and other charges thereon are secured by hypothecation of stocks and book debts on pari passu basis with the charges on Current Assets created in favour of consortium banks for working capital requirements. | | |
| 7. | The Company has duly complied with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956 except in respect of the following matters for reasons mentioned therein : | | |

**CONSOLIDATED NOTES ON ACCOUNTS OF HINDUSTAN MOTORS LIMITED
AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

- a) The Company, in view of the provisions of Section 145A of the Income Tax Act, 1961 has continued to follow the CENVAT inclusive method of accounting in respect of purchases, inventories, consumption etc. Further, as in the past, the amount of Cenvat element on inputs included in Closing Stock of finished goods as on the Balance Sheet date, although charged off to Revenue due to inclusive method of accounting, has been considered while making the provision for Excise duty at the close of the year, since the said amount remains recoverable with respect to the year end finished goods stock. Due to the above accounting method which is not in conformity with Accounting Standard -2, the loss for the year is higher by Rs. 163.76 lacs (after adjusting Rs. 1168.48 lacs being the Cenvat element included in the opening inventories).
- b) In the opinion of the management, Leave is meant to be availed of and the employees have been advised to plan their leave in advance while in service and also immediately before Superannuation. Accordingly, Leave Encashment liability for the year has been recognised and provided for only when such encashment was allowed. The quantum of unprovided leave liability on actuarial basis works out to Rs. 397.07 lacs (Rs. 358.89 lacs) as on the Balance Sheet date.
- c) The unprovided liability towards gratuity contribution to LIC, based on actuarial valuation, as on the Balance Sheet date, works out to Rs. 2096.74 lacs (Rs. 2212.50 lacs) as per premium amount demanded by LIC which would be covered through payments in future years, to ensure that the accrued gratuity liability is paid off as and when due to the employees.
- d) Compensation payable to employees, who have opted for the benefits under the Voluntary Early Retirement Scheme which envisages deferred payments on monthly basis, is being accounted for as and when payable. The present value of future monthly payments under the Scheme as on the Balance Sheet date as per actuarial valuation amounts to Rs. 1531.92 lacs (Rs. 1700.76 lacs).
8. Based on the Market quotations, there appears to be a shortfall of Rs. 64.14 lacs in the value of certain quoted investments as on the Balance Sheet date, which having regard to the long term involvement of the Company and being temporary in nature, has not been provided for.
9. Pending finalisation of agreements with workmen of Hindmotor and Trivellore units, minimum bonus liability has been provided.
10. Net deferred tax asset of Rs. 1905.31 lacs in respect of Hindustan Motors Ltd., arisen upto 30th September, 2003 has been credited to Profit & Loss Account and no credit for Rs. 1738.16 lacs being deferred tax assets for the period from 1st October, 2003 to 31st March, 2004 has been considered in the accounts, pending review of the Company's business plans in view of evolving business scenario. Further net deferred tax liability of Rs. 2.98 lacs in respect of the Company's subsidiaries has also been debited to Profit & Loss Account.

The Break-up of Deferred Tax Assets as on 31st March, 2004 is as follows :-

| | <i>Rupees in lacs</i> | |
|---|-----------------------|-----------------|
| | <u>2003-04</u> | <u>2002-03</u> |
| (A) Deferred Tax Asset : | | |
| (i) Carry forward unabsorbed losses, depreciation | 10998.26 | 7709.93 |
| (ii) Expenses allowable against taxable income in future years | 2158.61 | 2491.28 |
| | <u>13156.87</u> | <u>10201.21</u> |
| (B) Deferred Tax Liability : | | |
| (i) Timing difference in depreciable assets | 7209.93 | 7751.41 |
| (ii) Expenses claimed as deduction as per Income Tax Act but not booked in the accounts | 77.58 | 220.93 |
| | <u>7287.51</u> | <u>7972.34</u> |
| Net Deferred Tax Asset (A - B) | <u>5869.36</u> * | <u>2228.87</u> |

* Rs. 4131.20 lacs (Including Rs. 4128.89 lacs for the Company) only considered in the accounts as stated above.

**CONSOLIDATED NOTES ON ACCOUNTS OF HINDUSTAN MOTORS LIMITED
AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

11. a) Assets aggregating to Rs. 26.11 lacs (Rs. 26.11 lacs) were acquired on finance lease prior to 1st April, 2001, on which Lease rentals amounting to Rs. 7.83 lacs (7.83 lacs) have been charged to Revenue Account during the year, in accordance with the terms and conditions of the lease agreement. Moreover, lease agreements for assets aggregating to Rs. 456.32 lacs (Rs. 456.32 lacs) have already expired. These assets are yet to be formally transferred to the Company by the respective lessors pending compliance of the necessary formalities.
- b) The year wise break-up of the outstanding obligation in respect of leased assets (not allowed to be sub-leased) is as under :

| Rs. in lacs | | | | | | | |
|-----------------|-----------------------|--|---|------------------------|--|------------------------|------------------------------|
| | Assets taken on lease | | Not later than 1 year | | Later than 1 year but not later than 5 years | | Later than 5 Years |
| | | Total Minimum Lease Payments at the year end | Present Value of Minimum Lease Payments | Minimum Lease Payments | Present Value as on 31.03.04 | Minimum Lease Payments | Present Value as on 31.03.04 |
| Finance Lease | 67.73 | 51.54 | 23.50 | 21.81 | 44.23 | 29.73 | Nil |
| Operating Lease | - | - | 14.04 | - | 4.51 | - | Nil |

12. Consumption of Raw materials, stores and spare parts includes profit/loss on sale thereof.
13. In certain cases, excise duty on items transferred from one division to another for captive use has been accounted for based on actual payments at provisional rates. Additional liability, if any, in this regard will be accounted for on determination of the final rates, but it will have no impact on the Company's profitability, since the same will be claimable as Cenvat benefit by the transferee unit.
14. The Suit filed for recovery of Rent from a Sub-tenant, is still pending in the Hon'ble Court. The Court by way of an interim order has directed for payment of rent in instalments without prejudice to the rights and contentions of the parties to the Suit. But, the Sub-tenant has defaulted in payment as directed in the Court's Interim Order, against which the Company has moved the Hon'ble High Court, Kolkata.

| 15. Directors' Remuneration : | <i>Rupees in lacs</i> | |
|---|-----------------------|----------|
| | 2003-04 | 2002-03 |
| Paid to Managing and Executive Directors | | |
| Salary, Allowances etc. | 99.74 | 88.63 |
| Contribution to Provident and Other Funds | 13.53 | 11.75 |
| Others | 1.35 | 1.53 |
| | 114.62 * | 101.91 * |
| Directors' Fees | 3.07 | 2.76 |
| | 117.69 | 104.67 |

* Represents Rs. 61.73 lacs (Rs. 54.94 lacs) paid to Mr. A. Sankaranarayanan, Managing Director Rs. 52.89 lacs (Rs. 46.97 lacs) paid to Mr. B. K. Chaturvedi, Executive Director and excludes taxable value of perquisites Rs. 0.19 lacs (Rs. 0.61 lacs).

16. The balance amount of Rs. 723.46 lacs (Rs. 1011.25 lacs) due from Caterpillar India (P) Limited (CIPL) against the sale of erstwhile Earthmoving Equipment Division (EED) has been shown in Schedule 9 under the head "Sundry Debtors". The above amount, representing outstanding debts of the said division, would be paid by CIPL on actual realisation from the customers and any loss thereon is presently not ascertainable. Against this, a provision of Rs. 402.56 lacs has, however, been made by the Company as a matter of abundant caution.

**CONSOLIDATED NOTES ON ACCOUNTS OF HINDUSTAN MOTORS LIMITED
AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

17. Disputed / Doubtful debts, claims and advances etc. aggregating to Rs. 915.74 lacs (Rs. 992.08 lacs) have not been provided for, pending final settlement of relevant matters. However, the Company is hopeful to recover the above debts, claims etc.

18. **Earnings per Share (EPS) :**

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

| | 2003-04 | 2002-03 |
|---|-----------|-----------|
| Loss as per accounts (Rs. in lacs) | 8083.41 | 2667.69 |
| Weighted average No. of Equity Shares outstanding during the year | 161171993 | 161171993 |
| Nominal value of Shares (Rs.) | 10 | 10 |
| Basic and Diluted EPS (Rs.) | -5.02 | -1.66 |

19. The Company's segment information (including for the subsidiaries) as at and for the year ended 31st March, 2004 are as below :—

| | <i>(Rupees in lacs)</i> | | | |
|--|-------------------------|----------------------|---------------|-----------------------|
| | <u>Automobiles</u> | <u>Transmissions</u> | <u>Others</u> | <u>Total</u> |
| (a) Revenue * | | | | |
| External Net Sales | 63566.60 | 9521.91 | 6.93 | 73095.44 |
| | (82293.29) | (6941.26) | (11.57) | (89246.12) |
| <i>Less</i> : Inter Transfer | — | — | — | — |
| | (—) | (—) | (4.77) | (4.77) |
| Revenue | <u>63566.60</u> | <u>9521.91</u> | <u>6.93</u> | <u>73095.44*</u> |
| | (82293.29) | (6941.26) | (6.80) | (89241.35)* |
| (b) Results | | | | |
| Segment Results | -6067.46 | 2216.99 | -232.04 | -4082.51 |
| | (184.36) | (1568.03) | (- 50.49) | (1701.90) |
| Unallocated Expenses net of unallocated Income | | | | -358.67 |
| | | | | (- 257.00) |
| Profit | | | | -4441.18 |
| | | | | (1444.90) |
| Interest Expenses | | | | 5522.56 |
| | | | | (5470.86) |
| Provision for Taxation | | | | 22.00 |
| | | | | (21.18) |
| Deferred Tax Assets | | | | 1902.33 |
| | | | | (1379.45) |
| Net Loss | | | | <u>8083.41</u> |
| | | | | (2667.69) |

CONSOLIDATED NOTES ON ACCOUNTS OF HINDUSTAN MOTORS LIMITED
AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

| | | <i>(Rupees in lacs)</i> | | | |
|-----|---|----------------------------|----------------------|---------------------|-------------------|
| | | <u>Automobiles</u> | <u>Transmissions</u> | <u>Others</u> | <u>Total</u> |
| (c) | Total Assets | | | | |
| | Segment Assets | 56729.59 | 7349.93 | 147.83 | 64227.35 |
| | | (68754.27) | (6974.54) | (406.37) | (76135.18) |
| | Unallocated Corporate Assets | | | | 5155.54 |
| | | | | | (4280.42) |
| | | | | | <u>69382.89</u> |
| | | | | | (80415.60) |
| (d) | Total Liabilities | | | | |
| | Segment Liabilities | 23266.19 | 1175.18 | 55.01 | 24496.38 |
| | | (25745.62) | (867.92) | (35.03) | (26648.57) |
| | Unallocated Corporate Liabilities | | | | 116.19 |
| | | | | | (156.52) |
| | | | | | <u>24612.57</u> |
| | | | | | (26805.09) |
| (e) | Other Information | | | | |
| | (i) Non cash expenses included in segment expenses for arriving at Segment Results (Deferred Revenue Expenses written off). | 384.67 | 19.34 | 67.54 ** | 471.55 |
| | | (399.78) | (19.34) | (65.84) ** | (484.96) |
| | * <i>Unallocated portion</i> | | | | |
| | (ii) | Capital Expenditure | | Depreciation | |
| | | 2003-04 | 2002-03 | 2003-04 | 2002-03 |
| | Automobiles | 961.53 | 2007.51 | 3934.66 | 3958.92 |
| | Transmission | 265.32 | 93.21 | 174.62 | 197.32 |
| | Others | 31.61 | 1.89 | 11.33 | 8.49 |
| | | <u>1258.46</u> | <u>2102.61</u> | <u>4120.61</u> | <u>4164.73</u> |
| (f) | Geographical Segments | | | | |
| | Revenue * | | | | |
| | India | | | 71774.97 | 87313.92 |
| | Overseas | | | 1320.47 | 1927.43 |
| | | | | <u>73095.44</u> | <u>89241.35</u> |

* Net of Excise Duty and Sales Tax

Notes :

- (i) **Business Segment :** The business segments have been identified on the basis of the products of the Company. Accordingly, the Company has identified “Automobiles” & “Transmissions” as the operating segments :
- Automobiles** – Consists of manufacture and sale of Passenger Cars, Utility Vehicles & Trucks and Components & Accessories thereof.
- Transmission** – Consists of Automatic Powershift Transmission & Components thereof for off-highway and on-highway applications.
- Others** – Service Operations consisting less than 10% of the Revenue.
- (ii) **Geographical Segment :** The Company primarily operates in India and therefore the analysis of geographical segments is demarcated into its Indian and Overseas Operations.
- (iii) Total carrying amount of segment assets by geographical location of assets, for the Company’s overseas operations are below 10% of the total assets of all segments, and hence not disclosed.

20. **Related Party Disclosures :**

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

Key Management Personnel – Mr. A. Sankaranarayanan
Mr. B. K. Chaturvedi

Relatives of Key Management Personnel – Mrs. A. R. Chandrika – Wife of Mr. A. Sankaranarayanan

(b) **Aggregated Related Party Disclosures as at and for the year ended 31st March, 2004**

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

(Rupees in lacs)

| | Key Management Personnel* Mr. B. K. Chaturvedi | Relative of Key Management Personnel | Total |
|---------------------------|---|---|------------------------------|
| Purchase of Asset | – (–) | – (250.00) | – (250.00) |
| Sale of Asset | – (–) | – (187.00) | – (187.00) |
| Debtors, Loans & Advances | 8.43 (8.61) | – (–) | 8.43 (8.61) |

* Excludes Rs. 114.62 lacs (Rs. 101.91 lacs) being remuneration to Managing /Executive Directors as disclosed vide Note No. 15 above.

**CONSOLIDATED NOTES ON ACCOUNTS OF HINDUSTAN MOTORS LIMITED
AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

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

| | <i>Rupees in lacs</i> | |
|--|-----------------------|---------|
| | 2003-04 | 2002-03 |
| <u>EXPENSES</u> | | |
| Raw Materials and Components | 122.31 | 147.82 |
| Stores and Spares | 279.09 | 294.39 |
| Machinery Repairs | 456.20 | 489.34 |
| Selling Expenses, Service Charges, Claims etc. | 349.12 | 19.76 |
| Interest | 6.18 | 10.17 |

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

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

Signatures to Schedules 1 to 24.

In terms of our attached Report of even date.

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

Membership No. 16667
22, Camac Street, Kolkata - 700 016
May 24, 2004

T. E. S. Varadhan
Sr. Vice President – Corporate
Finance

G. N. Pareek
Secretary

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

C. K. Birla
Chairman

A. Sankaranarayanan
Managing Director

ATTENDANCE SLIP

HINDUSTAN MOTORS LIMITED

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

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

Joint Shareholders may obtain additional slip on request.

NAME AND ADDRESS OF THE SHAREHOLDER

| | |
|---------------------|--|
| Folio / Account No. | |
| No. of Shares held | |

I hereby record my presence at the **62nd Annual General Meeting** of the Company held on Monday, the 20th September 2004 at 3 p.m. at Calcutta Ice Skating Rink, 78, Syed Amir Ali Avenue, Kolkata - 700 019.

SIGNATURE OF THE SHAREHOLDER OR PROXY*

*Strike out whichever is not applicable.

----- [TEAR HERE] -----

PROXY FORM

HINDUSTAN MOTORS LIMITED

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

I/We.....
of
..... being member(s) of
Hindustan Motors Ltd., here appoint
of or failing him
..... of

as my/our proxy to attend and vote for me/us on my/our behalf at the **62nd Annual General Meeting** of the Company to be held on 20th September 2004 and/or at any adjournment thereof.

Signed this day of, 2004.

| | |
|---------------------|--|
| Folio / Account No. | |
| No. of Shares held | |

Signature

| |
|--------------------------------------|
| Affix Re. 1/- Revenue Stamp |
|--------------------------------------|

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

Book Post

If undelivered please return to :



Hindustan
Motors
Limited

“Birla Building”

9/1, R. N. Mukherjee Road, Kolkata – 700 001



NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Sixty-second Annual General Meeting of the Shareholders of HINDUSTAN MOTORS LIMITED will be held at Calcutta Ice Skating Rink, 78, Syed Amir Ali Avenue, Kolkata 700 019, on Monday, the 20th September, 2004 at 3.00 p.m. 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 year ended 31st March 2004.
- (2) To appoint a Director in place of Shri P. K. Khaitan, who retires by rotation and being eligible offers himself for re-appointment.
- (3) To appoint a Director in place of Dr. Anand C. Burman, who retires by rotation and being eligible offers himself for re-appointment.
- (4) To consider and, if thought fit, to pass the following resolution as a **Special Resolution**, relating to the appointment of the Auditors of the Company :

"RESOLVED THAT Messrs. S R Batliboi & Co., Chartered Accountants, the retiring Auditors, be and they are hereby re-appointed as Auditors of the Company under Section 224 read with Section 224A and other applicable provisions, if any, of the Companies Act, 1956 to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at a gross remuneration of Rs. 25,00,000/- (Rupees Twentyfive lacs only) per annum exclusive of reimbursement of out-of-pocket expenses, as may be incurred by the Auditors on travelling, boarding and lodging at the Company's factories and its other branches outside Kolkata which shall also be borne by the Company and that the said remuneration be paid to the Auditors in four equal quarterly instalments."

AS SPECIAL BUSINESS :

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

- (5) **As an Ordinary Resolution :**
"RESOLVED THAT Shri Naresh Chandra, Director of the Company who vacates his office at the conclusion of this Annual General Meeting in terms of the provisions of Section 262(2) of the Companies Act, 1956 be and he is hereby appointed as a Director of the Company liable to retire by rotation."
- (6) **As an Ordinary Resolution :**
"RESOLVED THAT Shri Kranti Sinha who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 with effect from 15th December, 2003 and who vacates his office at the conclusion of this Annual General Meeting be and he is hereby appointed as a Director of the Company liable to retire by rotation."
- (7) **As an Ordinary Resolution :**
"RESOLVED THAT Shri A. Sankaranarayanan who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 with effect from the conclusion of the meeting of the Board of Directors held on 24th May, 2004 and who vacates his office at the conclusion of this Annual General Meeting be and he is hereby appointed as a Director of the Company liable to retire by rotation."
- (8) **As a Special Resolution :**
"RESOLVED THAT pursuant to the provisions of Article 107 of the Articles of Association of the Company and Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such consents, approvals and permissions as may be needed, Shri R. Santhanam be and he is hereby appointed as the Managing Director of the Company not liable to retire by rotation for a period of five years with effect from the conclusion of Board Meeting held on 24th May, 2004 at a remuneration and on the terms and conditions set out below :--
 1. Salary (Basic) per month Rs. 1,50,000 in a time scale of Rs. 1,50,000 - Rs. 30,000 - Rs. 3,00,000. Annual increment of Rs. 30,000 shall be payable on 1st April of each year
 2. Allowances / perquisites : -
 - a) Watchman / Gardener / Cleaner / Servants' salary allowance Rs. 10,000/- per month
 - b) Other allowances Rs. 10,000/- per month
 - c) Leave Travel Allowance The yearly payment in the form of allowance shall be equivalent to one month's salary (basic)
 - d) Magazines / Books allowance Rs. 50,000/- per annum

HINDUSTAN MOTORS LIMITED

- e) Gas / Electricity / Maintenance allowance Rs. 50,000/- per annum
- f) Housing I Expenditure incurred by the Company on hiring furnished accommodation for the Managing Director subject to a maximum of 60% of the basic salary relevant for the concerned period
- OR
- Housing II In case Company owned and furnished accommodation is provided no allowance shall be paid
- OR
- Housing III In case no accommodation - owned or hired - is provided by the Company the Managing Director shall be entitled to 60% of the basic salary relevant for the concerned period as and by way of House Rent Allowance
- g) Medical reimbursement Expenditure incurred by the Managing Director and his family, subject to a ceiling of one month's salary (basic) in a year or three months salary (basic) over a period of three years
- h) Club Fees Actual fees for a maximum of two clubs. Admission fee and life membership fee shall not be paid by the Company
- i) Hospitalisation Insurance Scheme As per the scheme of the Company provided the premium amount does not exceed a sum of Rs. 4,000/- per annum
- j) Contribution to Provident Fund and Superannuation / Annuity Fund will be as per Scheme of the Company. Since Shri R. Santhanam joined the Company as President of the Company with effect from 21.04.2004 he is not entitled to contribution to the Superannuation Fund of the Company, according to the Scheme of the Company, till 31.03.2005. Therefore, for the said period he shall be entitled to an Ad-hoc payment equivalent to 15% of his basic salary in lieu of Superannuation contribution
- k) Gratuity payable shall be at a rate not exceeding 15 days salary for each completed year of service or part thereof in excess of six months as per Scheme of the Company
- l) Encashment of un-availed leave at the end of the tenure or at specified intervals will be as per Scheme of the Company
- m) Provision of car with driver for use in relation to Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.
3. In addition to the above, the Managing Director shall be entitled for an Ex-gratia payment of Rs. 10,00,000/- per annum

MINIMUM REMUNERATION : The remuneration specified at Sl. Nos. 1 to 3 above subject to approval of Central Government should continue to be paid to Shri R. Santhanam as and by way of Minimum Remuneration notwithstanding the loss or inadequacy of profit during the relevant period of tenure of his office.

RESOLVED FURTHER THAT the tenure of the employment of Shri R. Santhanam as Managing Director of the Company is terminable by either side with a notice period of three months or payment of basic salary in lieu thereof."

Registered Office:
'Birla Building'
9/1, Rajendra Nath Mukherjee Road
Kolkata 700 001
Dated, the 20th August, 2004

By Order of the Board,
For HINDUSTAN MOTORS LTD

G N Pareek
Company Secretary

NOTES :

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.

2. Members/Proxies should bring the enclosed Attendance Slip duly filled in for attending the meeting.
3. Members who have shareholdings in multiple accounts in identical names or joint accounts in the same order are requested to send all the share certificate(s) to the Registrars & Share Transfer Agents, M/s Karvy Computershare Private Limited at 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad -500034 for consolidation of all such shareholdings into one account to facilitate better service.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 2nd September, 2004 to 17th September, 2004 (both days inclusive).
5. (a) Members are requested to notify change of address, if any, with PINCODE to the Company or to its Share Transfer Agents quoting reference of their folio number and in case their Shares are held in dematerialised form, this information should be passed on to their respective Depository Participants.
(b) In case the mailing address mentioned on this Annual Report is without the PINCODE, members are requested to kindly inform their PINCODE immediately.
6. A member desirous of getting any information on the accounts or operations of the Company or share/debenture related matter is requested to forward his/her query(ies) to the Company at least seven days prior to the meeting so that the required information can be made available at the meeting.
7. Consequent upon amendment to the existing Section 205A of the Companies Act, 1956 and introduction of new Section 205C, by the Companies (Amendment) Act, 1999, the amount of dividend remaining unclaimed for a period of seven years from the date the same becoming due for payment is being transferred regularly to the credit of Investor Education and Protection Fund. Accordingly, dividend for and upto the financial year ended 31st March, 1996 (there being no dividend from the year 1990-91 to 1994-95) has been so transferred. However, for all unclaimed/unpaid dividend upto the financial year 1989-90 shareholders are requested to claim such amount from the Registrar of Companies, West Bengal, Nizam Palace, IInd MSO Building, 234/4, A.J.C. Bose Road, Kolkata - 700 020 by submitting an application in the prescribed Form No. II. Claim for unclaimed / unpaid dividend for the years 1996-97 and 1997-98 should reach the Company before September 2004 and September 2005 respectively.
8. The Company, consequent upon introduction of the Depository System, entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Members, therefore, now have the option of holding and dealing in the Shares of the Company in electronic form through the depository participants of NSDL or CDSL. Effective 17th January 2000, trading in Shares of the Company on any Stock Exchange is permitted only in dematerialised form.
9. Individual shareholders can now take the facility of making nomination of their holding. The nominee shall be the person in whom all rights of transfer and/or amount payable in respect of Shares shall vest in the event of the death of the shareholder and the joint-holder(s), if any. A minor can be a nominee provided the name of the guardian is given in the nomination form. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of Power of Attorney cannot nominate. For further detail in this regard shareholders may contact M/s Karvy Computershare Private Limited, Hyderabad.
10. In all correspondence with the Company or with its Share Transfer Agents, members are requested to quote their folio number and in case their shares are held in the dematerialised form, they must quote their Client ID Number and their DPID Number.
11. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the meeting.

Annexure to the Notice

EXPLANATORY STATEMENT

The following Explanatory Statements relating to Special Business at Item Nos. 5 to 8 of the accompanying Notice set out all material facts as required under Section 173 of the Companies Act, 1956 :

Item No. 5

Shri Naresh Chandra, a retired IAS officer and an eminent ex-bureaucrat, was appointed as a Director with effect from 24-7-2002 by the Board of Directors under Article 87 of the Articles of Association of the Company to fill in the casual vacancy caused by the resignation of Shri G. D. Kothari from the Board of Directors of the Company and who would have retired by rotation at the conclusion of the ensuing Annual General Meeting had he not resigned. In terms of the provisions of Section 262(2) of the Companies Act, 1956 Shri Naresh Chandra can hold the office of Director only upto the conclusion of the ensuing Annual General Meeting. However, Shri Naresh Chandra being eligible offers himself for re-appointment. Given the illustrious background of Shri Naresh Chandra it is advisable in the interest of the Company to appoint him as a Director on the Board of the Company liable to retire by rotation. The Company has received a notice in writing along with a deposit

HINDUSTAN MOTORS LIMITED

of Rs. 500/- from a member as required under Section 257 of the Companies Act, 1956 signifying his intention to propose the appointment of Shri Naresh Chandra as a Director of the Company. The Board Members recommend the resolution as set out in Item No. 5 of the convening Notice for approval of the Shareholders.

Except Shri Naresh Chandra, no other Director is in any way concerned or interested in the aforesaid Resolution.

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

Item No 6

Life Insurance Corporation of India had with effect from 15th December, 2003 withdrawn the nomination of Shri Kranti Sinha from the Board of the Company. However, in view of the valuable contribution made by Shri Kranti Sinha during his tenure as a member of the Board, the Board Members had co-opted him as Additional Director in his individual capacity with effect from the same said date pursuant to Article 86 of the Articles of Association of the Company. In terms of the provisions of Section 260 of the Companies Act, 1956 and the said Article, Shri Kranti Sinha can hold the office of Director only up to the conclusion of the ensuing Annual General Meeting. However, being eligible he offers himself for re-appointment. The Board Members consider that it will be beneficial for the Company to appoint Shri Kranti Sinha as a Director liable to retire by rotation. The Company has received a notice in writing along with a deposit of Rs. 500/- from a member as required under Section 257 of the Companies Act, 1956 signifying his intention to propose the appointment of Shri Kranti Sinha as a Director of the Company. The Board Members recommend the resolution as set out in Item No. 6 of the convening Notice for approval of the Shareholders.

Except Shri Kranti Sinha, no other Director is in any way concerned or interested in the aforesaid Resolution.

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

Item No 7

Shri A Sankaranarayanan, a highly experienced technocrat, who had looked after the affairs of the Company in his capacity as the Managing Director of the Company, has retired from the services of the Company with effect from the close of the Board Meeting held on 24th May, 2004. In view of his in-depth knowledge of the affairs of the Company, the Board Members felt that it would be beneficial for the Company to keep Shri A Sankaranarayanan associated with the Company in the capacity of a non-executive director and accordingly had appointed him as an Additional Director pursuant to provisions of Section 260 of the Companies Act, 1956 and Article 86 of the Articles of Association of the Company to hold office as such till the conclusion of the ensuing Annual General Meeting.

The Company has received a notice in writing along with a deposit of Rs. 500/- from a member as required under Section 257 of the Companies Act, 1956 signifying his intention to propose the appointment of Shri A Sankaranarayanan as a Director of the Company.

The Board Members recommend the resolution as set out in Item No. 7 of the convening Notice for approval of the shareholders.

Except Shri A Sankaranarayanan, no other Director is in any way concerned or interested in the aforesaid Resolution.

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

Item No 8

To fill in the vacancy caused by retirement of Shri A Sankaranarayanan, the Board Members considered it in the interest of the Company, to appoint Shri R Santhanam, the recently appointed President, as Whole Time Director designated as Managing Director of the Company.

Shri R Santhanam is a Senior Corporate Executive having expertise in industrial production planning, product designing, marketing and customer operations including marketing research. Moreover, being an ex-employee, he is fully seized of the workings of the Company and its relative strengths and weaknesses in different functional areas.

Accordingly, the Board of Directors at its meeting held on 24th May, 2004, has appointed Shri R. Santhanam as Whole Time Director designated as Managing Director for a period of five years with effect from the conclusion of the Board meeting held on 24th May, 2004 on the terms and conditions as approved by the Remuneration Committee of Directors and as set out in the Resolution in Item No. 8 of the convening Notice.

The Company has received a Notice under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose the name of Shri R. Santhanam as a Director of the Company. The appointment and remuneration of Shri R. Santhanam as Managing Director requires the approval of the Shareholders in terms of Section 269 read with Part II of Schedule XIII and 309 of the Companies Act, 1956.

An extract of the terms of appointment as also the remuneration payable to Shri R. Santhanam as Managing Director with effect from the aforesaid date has already been circulated on 28th May, 2004 to the members as required under Section 302 of the Companies Act, 1956.

Accordingly, your Directors recommend the resolution set out in Item No. 8 of the convening Notice for your approval.

Except Shri R. Santhanam, no other Director is in any way concerned or interested in the aforesaid Resolution.

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