

ಏಚ್‌ಎಂಟಿ ಲಿಮಿಟೆಡ್

(ಭಾರತ ಸರ್ಕಾರದ ಉದ್ದೇಶ)

ಏಚ್‌ಎಂಟಿ ಭವನ, ನಂ. 59, ಬೆಲ್ಲಾರಿ ರಸ್ತೆ
ಬೆಂಗಳೂರು - 560 032, ಭಾರತ
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एच एम टी लिमिटेड

(भारत सरकार का उपक्रम)

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HMT LIMITED

(A Govt. of India Undertaking)
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Secd S-6

28th May 2019

DCM (DCS)

Bombay Stock Exchange Limited
P.J Towers, 25th Floor, Dalal Street
Mumbai - 400 001

Vice President

National Stock Exchange of India Limited
"Exchange Plaza" Bandra-Kurl Complex
Bandra (E), Mumbai - 400 051

Dear Sir/Madam,

Sub: Standalone/ Consolidated audited Financial Results for the Quarter/ Year ended March 31, 2019

Pursuant to Regulation 33 (3) of SEBI (LODR) Regulation, 2015, please find enclosed herewith standalone/ consolidated audited financial results for the Quarter/ Year ended March 31, 2019 approved by the Board of Directors of the Company at their meeting held today.

This is for your kind information and record.

Yours faithfully

For HMT Limited

(Kishor Kumar G)

Asst. Company Secretary

HMT LIMITED

No.59, Bellary Road, Bangalore - 560 032

STATEMENT OF STANDALONE AND CONSOLIDATED AUDITED FINANCIAL RESULTS
FOR THE QUARTER AND YEAR ENDED 31ST MARCH 2019

CIN: L29230KA1953PLC000748

(Rs in lakhs)

	Particulars	Standalone				Consolidated		
		Three months ended		Year ended		Year ended		
		March 31, 2,019	December 31, 2,018	March 31, 2,018	March 31, 2,019	March 31, 2,018	March 31, 2,019	March 31, 2,018
		Audited*	Unaudited	Audited	Audited*	Audited	Audited*	Audited
1	CONTINUING OPERATIONS							
1	Revenue from Operations	576	599	730	1,960	1,480	26,277	20,241
2	Other Income	860	686	615	2,859	1,730	4,525	4,813
	Total Income	1,436	1,285	1,345	4,819	3,210	30,802	25,054
3	Expenses							
	a) Cost of materials consumed	376	205	198	1,055	414	9,363	7,018
	b) Purchase of Stock in Trade	13	7	(19)	82	405	3,015	1,503
	c) Changes in Inventories (Increase)/decrease in SIT/WIP	(208)	221	14	(134)	(304)	(3394)	(440)
	d) Excise Duty	-	-	-	-	3	-	828
	e) Changes in Excise Duty on (increase)/decrease in Fin. Goods	-	-	1	-	1	15	426
	f) Employee benefits expense	296	249	430	1,003	1,194	12,364	14,519
	g) Depreciation and amortisation expense	8	6	8	25	25	924	1,010
	h) Finance Costs	-	2	46	29	212	6,749	6,636
	i) Other expenses	404	219	297	1,065	894	6,134	5,400
	Total expenses	889	909	975	3,125	2,844	35,170	36,900
4	Profit/(Loss) before Share of Investment in Associate & Joint Venture, Exceptional Items & Tax from Continuing Operations	547	376	370	1,694	366	(4368)	(11846)
5a	Share of Profit/(Loss) of an Associate & Joint venture	-	-	-	-	-	(1)	-
5b	Exceptional Items	-	-	-	872	-	872	-
	Profit/(Loss) before Tax	547	376	370	2,566	366	(3496)	(11846)
	Tax Expense	-	-	-	-	-	51	(13)
8	Profit/(Loss) for the period from Continuing Operations	547	376	370	2,566	366	(3547)	(11833)
II	DISCONTINUED OPERATIONS							
9	Profit/(Loss) for the period from Discontinued Operations	(501)	(70)	(1377)	(841)	(1083)	19,089	(3288)
10	Tax income/(Expense) of Discontinued Operations	-	-	-	-	-	-	-
11	Profit/(Loss) from Discontinued Operations	(501)	(70)	(1377)	(841)	(1083)	19,089	(3288)
12	Profit/(Loss) for the period	46	306	(1007)	1,725	(717)	15,542	(15121)
13	Other Comprehensive Income							
	i) Items that will not be reclassified to profit / (Loss)	(38)	5	337	(32)	512	(1173)	913
	ii) Income Tax relating to items that will not be reclassified to Profit / Loss	-	-	-	-	-	13	(5)
	Net Other Comprehensive Income	(38)	5	337	(32)	512	(1160)	908
14	Total Comprehensive Income for the period (12+13)	8	311	(670)	1,693	(205)	14,382	(14213)
15	Profit/(Loss) for the year attributable to:							
	Equity holder of the parent						15,492	(15120)
	Non-Controlling Interest						51	(1)
16	Other Comprehensive Income attributable to:							
	Equity holder of the parent						(1161)	-
	Non-Controlling Interest						-	-
17	Total Other Comprehensive Income for the year attributable to:							
	Equity holder of the parent						14,331	(14212)
	Non-Controlling Interest						51	(1)
18	Paid-up Equity Share Capital (Face Value - Rs.10/-)	35,560	35,560	120,409	35,560	120,409	35,560	120,409
*	Other Equity	-	-	-	(23839)	(110380)	(510657)	(609837)
20	Earnings per share from Continuing Operations (face value Rs.10/- each)							
	i) Basic	0.15	0.11	0.10	0.72	0.10	(1.00)	(3.33)
	ii) Diluted	0.15	0.11	0.10	0.72	0.10	(1.00)	(3.33)
	Earnings per share from Discontinued Operations (face value Rs.10/- each)							
	i) Basic	(0.14)	(0.02)	(0.38)	(0.24)	(0.30)	5.35	(0.92)
	ii) Diluted	(0.14)	(0.02)	(0.38)	(0.24)	(0.30)	5.35	(0.92)
	Earnings per share from Continuing & Discontinued Operations (face value Rs.10/- each)							
	i) Basic	0.01	0.09	(0.28)	0.48	(0.20)	4.36	(4.25)
	ii) Diluted	0.01	0.09	(0.28)	0.48	(0.20)	4.36	(4.25)



(Rs in lakhs)

Balance Sheet as at 31st March 2019

Sl.	Particulars	Standalone		Consolidated	
		As at 31/03/2019 Audited*	As at 31/03/2018 Audited	As at 31/03/2019 Audited*	As at 31/03/2018 Audited
A	ASSETS				
1	Non Current Assets				
	(a) Property, plant & equipment	1,355	1,437	5,588	6,251
	(b) Capital work-in-progress	-	-	566	129
	(c) Intangible Assets	-	-	-	-
	(d) Intangible Assets under development	-	-	-	-
	(e) Investment property	-	-	941	966
	(f) Financial Assets	250	274	302	327
	Investments				
	(g) Other Assets	71,978	72,042	20	139
		169	48	249	287
	Sub total	73,752	73,801	7,666	8,099
2	Current Assets				
	(a) Inventories	1,328	1,967	16,847	13,014
	(b) Financial Assets				
	Trade Receivables	305	441	16,632	10,491
	Cash & Cash Equivalents	14,607	14,367	23,778	22,951
	Loans	13,747	164	-	-
	Other Financial Assets	271	191	553	527
	(c) Other Assets	1,573	1,805	6,019	6,147
	Sub total	31,831	18,935	63,829	53,130
3	Non Current Assets held for sale	12	12	308	680
	TOTAL ASSETS	105,595	92,748	71,803	61,909
B	EQUITY & LIABILITIES				
1	Equity				
	(a) Equity share capital	35,560	120,409	35,560	120,409
	(b) Other equity	(23839)	(110380)	(510657)	(609837)
	Equity attributable to Equity holders of the parent	11,721	10,029	(475097)	(489428)
	(c) Non Controlling interests	-	-	(28)	(79)
	Total equity	11,721	10,029	(475125)	(489507)
2	Non-current liabilities				
	(a) Financial Liabilities				
	Borrowings	22,511	32,036	23,145	37,324
	Non Current Financial Liability	5,110	8,417	5,110	8,417
	(b) Provisions				
	Employee Benefits	198	265	5,458	7,712
	(c) Deferred tax liability (net)	-	-	49	78
	Sub total	27,819	40,718	33,762	53,531
2	Current liabilities				
	(a) Financial Liabilities				
	Borrowings	-	-	1,857	3,101
	Trade Payables	310	334	10,013	7,279
	Other Financial Liabilities	42,271	30,388	433,710	429,518
	(b) Government Grant	-	-	-	-
	(c) Other current liabilities	23,283	10,979	60,183	51,177
	(d) Provisions				
	Employee Benefits	151	247	6,528	6,566
	Others	40	55	221	244
	(e) Current tax liabilities (net)	-	-	654	-
	Sub total	66,055	42,001	513,166	497,885
	TOTAL LIABILITIES	93,874	82,719	546,928	551,416
	TOTAL EQUITY & LIABILITIES	105,595	92,748	71,803	61,909

Primary Segment information for year ended 31st March 2019

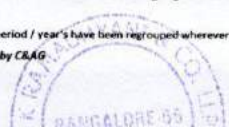
(Rs. in lakhs)

Particulars	Consolidated	
	31.03.2019 Audited*	31.03.2018 Audited
1 Segment Revenue		
Food Processing Machinery	1,636	1,135
Machine Tools	21,741	17,708
Projects	5,707	2,495
Others	331	345
Total	29,415	21,683
Less: Inter Segment Revenue	3,131	1,442
Total	26,284	20,241
2 Segment Results		
Segment Result before Interest & Taxes		
Food Processing Machinery	33	-316
Machine Tools	(875)	(5748)
Projects	2,192	-
Others	1,032	854
Total	2382	(5210)
Less:		
Interest Expenses	6,749	6,636
Profit/(Loss) before Tax	(4367)	(11846)
3 Other Information (Capital Employed)		
Food Processing Machinery	531	262
Machine Tools	(15724)	(24116)
Exports	3,495	3,300
Others	5,002	(1070)
Unallocated and Discontinued	(468429)	(467885)
Total	(475125)	(489508)

Note:

- The above Results for the quarter and year ended 31 March 2019 have been reviewed by the Audit Committee and approved by the Board at its Meeting held on May 28, 2019.
- In respect of standalone financial statements of Tractor business of the Company has been discontinued as per CCEA approval during year 2016-17. Accordingly, figures during the quarters/year ended 31-3-2019 and 31-3-2018 have been included in Discontinued Operations.
- In respect of consolidated financial statements as per the approval of CCEA in FY 2015-16 it was decided to close HMT Chinar Watches Ltd., HMT Watches limited and HMT Bearings Limited. Accordingly, figures during the year ended 31-03-2019 and 31-3-2018 have been included in discontinued operations.
- The figures for three months ended 31 March 2019 are arrived at as difference between audited figures in respect of full financial year and the published figures upto 9 months of the relevant financial year.
- As the Companies business activity falls within a single primary business segment i.e. Food Processing Machineries, the disclosure requirement of Indian Accounting Standard (Ind As 108) on 'Operating Segments' is not applicable for Standalone results.
- Network of the Company/ Group has been completely eroded. Considering the realisable value of the non-current assets held for sale, support from Government of India and other business plans, the Company has prepared its financial statements on going concern basis and accordingly, no adjustments are considered necessary to the carrying value of its assets and liabilities.
- Figures of previous period / year's have been regrouped wherever necessary to conform with current period/ year's figures.

* Subject to Review by CRAAG



By order of the Board of Directors

(S. Gokul Kumar)



INDEPENDENT AUDITOR'S REPORT

To the Members of HMT Limited

Report on Audit of the Standalone Financial Statements

Qualified Opinion:

We have audited the standalone Ind AS financial statements of HMT Limited ("the Company") which comprise of balance sheet as at March 31, 2019, the statement of profit & loss, statement of changes in equity, the cashflow statement for the year then ended, and notes to Ind AS financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, except for the matters described in the Basis of Qualified Opinion section of our report, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, profit, changes in equity and its cash flows for the year ended on that date.

Basis of Qualified Opinion:

1. **Food Processing Machinery Unit, Aurangabad:**

As per information and explanation given to us with regards to the valuation of inventory as stated in Note No. 1.9 stock of raw material is valued by adopting Weighted Average Cost Method. However, in the inventory software for many stock items rates were not updated because of which respective stocks were valued at Nil. These were later manually updated based on the Purchase Orders available. Owing to the nature of Unit's records and in the absence of sufficient audit evidence, we are unable to ascertain if there is material departure from the Weighted Average Cost Method followed by the Company. We are also unable to ascertain its consequent impacts, if any, on the Ind AS standalone financial instruments.

2. **Tractor Business Group, Pinjore (including Hyderabad Assembly Project & Mohali unit):**

Lease rental income from leased out portions of land, apartments, school etc. lying within the premises of HMT Limited, Pinjore, has not been accounted as "Other Income" in the books of HMT Limited (Tractor Division), since, financial year 2017-18. During financial year 2016-17, a sum of Rs.143.90 lakhs depicted as rental income. In our opinion such income during financial year 2017 – 18 and 2018-19 should have been accounted in its books and suitable expenses relating to Estate Operation should have been accounted. However, management has informed us that these transactions have been accounted by HMT Machine Tools Limited. We are unable to ascertain the impact on these Ind AS financial statements due to absence of the information. To this extent the revenue is understated.

3. **Common Services Division, Bangalore:**

Attention is invited to note 46 in respect of reconciliation of GST collected on sales, input tax credit availed which is subject to reconciliation. We are unable to express any independent opinion on the same.



4. Corporate Head Office and Company as a whole:

- a. The Company contributes provident fund to its employees to a provident fund trust, which is a defined benefit plan. As per Ind AS – 19, the Company as a whole has not obtained the actuarial valuation report and accounted for employer’s contribution.
- b. Attention is invited to note 45 regarding confirmation and reconciliation of balance with whom it has transactions.

The effect revenue on all the above transactions are not ascertained.

We conducted our audit in accordance with the Standards on Auditing (“SAs”) specified under section 143(10) of the Companies Act, 2013 (“the Act”). Our responsibilities under those Standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Ind AS financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters:

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Ind AS financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Ind AS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
Adoption of Ind AS 115 - Revenue from Contract with Customers as described in note 2 i. and note 17 of the financial statements:	
The Company has adopted Ind AS 115 - Revenue from Contracts with Customers, mandatory for reporting periods beginning on or after April 1, 2018. Application of Ind AS 115, including selection of transition method involves significant judgment in determining when ‘control’ of the goods or services underlying the performance obligation	As part of our audit procedures, our procedures included the following: <ul style="list-style-type: none">- We have read the accounting policy for revenue recognition and assessed compliance of the policy in terms of principles enunciated under Ind AS 115.- We obtained and understood the revenue recognition process including



<p>is transferred to the customer and the transition method to be applied.</p> <p>As the revenue recognition, due to the significance of the balance to the financial statements as a whole, we regard this as a key audit matter.</p>	<p>determination of point of transfer of control and completion of performance obligation.</p> <ul style="list-style-type: none"> - We performed test of details, on a sample basis, and examined the underlying customer contracts. - We examined the disclosures made by management in compliance with the requirements of Ind AS 115. <p>Conclusion:</p> <p>Our procedures did not identify any material exceptions.</p>
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Material Uncertainty Related to Going Concern:

Attention of the members is invited to Note 43 of the standalone financial statements regarding reasons for preparing these standalone Ind AS financial statements of the Company on going concern basis, notwithstanding the fact that the net-worth of the Company is substantially eroded. The appropriateness of the said basis is inter-alia dependent on the Company's ability to realise from sale of non-current assets held for sale, support from Government of India and other business plans. We have also relied on the representation of the Company in this respect. Our opinion is not modified in this respect.

Other Information ["Information Other than the Financial Statements and Auditor's Report Thereon"]

The Company's Board of Directors are responsible for the other information. The other information comprises the information included in the board report but does not include the financial statements and our auditor's report thereon. The board report is expected to be made available to us after the date of auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Management's Responsibility for Standalone Ind AS Financial Statements:

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act, with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were



operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the standalone Ind AS Financial Statements:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional scepticism through the audit. We also:

- Identify and assess the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matters:

- i) We did not audit the financial statements/information of 2 units i.e. Tractor Business Group, Pinjore and Food Processing Machinery Unit, Aurangabad included in these standalone Ind AS financial statements of the Company whose financial statements/financial information reflect total assets of Rs. 6,816.37 lakhs as at March 31, 2019 and total revenues of Rs. 6,022.898 lakhs (including amount included in discontinued operations of Rs.4,318.94 lakhs) for the year ended on that date. The financial statements/ information of these branches has been audited by the branch auditors i.e. S P Babuta & Associates, Chartered Accountants, Chandigarh and CA AG & Associates, Chartered Accountants, Aurangabad respectively whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these units, are based solely on the report of such branch auditors.
- ii) The financial statements of Lamp Division have been merged with CHO Accounts and our report insofar as it relates to the amounts included in respect of this Division is based solely on the Closing Balances of Last Year's Financial statements of CHO accounts except payment of Rs.73.67 lakhs towards due to Greater Hyderabad Municipal Corporation.
- iii) The physical share certificates for 26,08,99,037 equity shares and 4,43,00,000 preference shares of HMT Machine Tools Ltd whose costs is Rs.26,089.90 Lakhs and Rs.44,300.00 lakhs respectively are not in the possession of the Company as at March 31, 2018.
- iv) The Company has discharged the debt of State Bank of India, but the discharge of loan is not reflected in the charge Index of charges registered with Registrar of Companies of its Index Number 80046855.
- v) The Company has made a provision for non-moving inventories amounting to Rs.443.23 lakhs based on the certificate furnished by the management and relied upon by the auditors of the respective units.
- vii) **The Branch Auditors of Tractor Business Group, Pinjore ("the Unit") have reported the following other matters:**
 - a) As per the Company's accounting policy, Inventories are valued at lower of cost or net realisable value. The cost of material is ascertained by adopting "Weighted Average Method", till the operations of the Unit continued its operations. The Unit has closed its operations in year 2016 – 17 and were meant for sale as spares and not for manufacturing. During the year, substantial portion of inventories were disposed off at prices lower than its realisable value.

The Unit during the year had outsourced valuation of inventories to an independent valuer and based on his report we have considered the realisable value as under:

Store Inventory	- 60% of book value.
Tractor spare parts inventory	- 60% of book value.



Work in progress	- 60% of book value.
Finished tractors	- 23% of book value.

- b. Balance in current maturities of VRS Loan from of India amounting to Rs.12,831.60 lakhs as reported in note 17 of the financial statements is reported based on the certificate given by the management. Out of the above amount, an amount of Rs.23,705.20 lakhs has been shown as continuous defaults of Government of India Loans.
- c) During an earlier year the Unit has discontinued its operations and is in the process of making settlement for all its receivables and payables. The Company need to carry out proper review of following balances and take necessary action:

Particulars	Amount (Rs. In lakhs)	Remarks
Amount due to PWD	22.18	Due for more than 10 years
Claim recoverable from Motokov Ltd	0.11	Outstanding since 1989 – 90
Customs Duty Deposit	0.22	Old balance
Bombay Port Trust	0.01	Old balance

viii) **The Branch Auditors of Food Processing Machinery Division, Aurangabad (“the Unit”) have reported the following other matters:**

- a. Inventories of the unit has been valued by the Company and auditors have relied based on the certificate furnished by the unit amounting to Rs.317.47 lakhs and provision for non-moving inventory amounting to Rs. 89.90 Lakhs.
- b. Disclosure in respect of contingent liabilities has been furnished based on the information and representations received from the management.

ix) **In respect of Common Services Division, Bangalore (“the Unit”)**

During the previous year the Unit had purchased certain watches and its components from its subsidiary HMT Watches Limited based on the value determined by the independent valuer. During the year the Company has determined estimated realisable value which is lower than cost and reported as inventories of watches in its financial statements which has been relied upon by auditors.

Report on Other Legal & Regulatory Requirements:

- As required by the Companies (Auditor’s Report) Order, 2016 (“the Order”), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the “Annexure-A” a statement on the matters specified in paragraphs 3 and 4 of the Order to the extent applicable.
- As required by the section 143(3) of the Act, we report that:
 - We have sought and obtained all the information and explanations which to the best of our



knowledge and belief were necessary for the purpose of our audit.

- b. Except for the possible effects of the matters described in the Basis for Qualified opinion paragraph, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c. The Balance Sheet, the statement of Profit and Loss, the Cash Flow Statement and Statement of Changes in the Equity dealt with by this Report are in agreement with the books of account.
- d. The Company has not obtained the actuarial valuation report in respect of Provident Fund Trusts, accordingly, in our opinion, the aforesaid Ind AS standalone financial statements don't comply with the Indian Accounting Standards specified under section 133 of the Act.
- e. The Company being a Government Company, provisions of 164 (2) of the Act is not applicable with respect to appointment of directors.
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure B**".
- g. With respect to other matters to be included in the Auditors report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us,
 - i) The Company has disclosed its pending litigations which would impact its financial position in note 30 of the Ind AS standalone financial statements.
 - ii) The Company did not have any long-term contracts as required under the applicable law or accounting standards and also not entered into any derivative contracts, accordingly no provision is required to be made in respect of material foreseeable losses.
 - iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

3. As required by Section 143 (5) of the Act, our submissions are as under:

We give in the "**Annexure-C**", a statement on the compliance to Directions issued by the Comptroller and Audit General of India.

For B.K.RAMADHYANI & CO LLP
Chartered Accountants
Firm Registration No. 002878S/S200021

C. R. Deepak
(CA C R Deepak)
Partner

Membership No. 215398



Place: Bangalore
Date: May 28, 2019

ANNEXURE-A REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT TO THE MEMBERS OF HMT LIMITED.

1. a) The Company has maintained proper records showing full particulars including quantitative details and situation of Property Plant & Equipment ("PPE").
b) Based on the information of explanation given to us by the Company, physical verification if carried out once in 3 years. However, during the year none of the units have carried out such verification. Accordingly, we are unable to comment on the same.
c) According to the information and explanation given to us by the Company, read with foot note c of note 3A, foot note iii) of note 3B and foot notes to note 3C of the Ind AS standalone financial statements, title deed of all immovable properties are held in the name of the Company.
2. The management during the year has physically verified the inventory at reasonable intervals at respective units. The discrepancies that were noticed during the physical verification of Inventory were not material and the same has been properly adjusted in the respective unit books of account. However, it has been reported by the Food Processing Machinery unit auditor that documentary evidences to support the same were not available for their verification. In respect of Tractor division, Pinjore it has been reported by branch auditor that physical inventory has not been carried out for last 2 financial years. Accordingly, we are unable to comment on the same.
3. In respect of the unsecured loans granted by the Company to companies covered in the register maintained under section 189 of the Act:
 - a) In our opinion and according to information and explanation furnished to us, the terms and conditions of the loan given by the Company is prima facie, not prejudicial to the interest of the Company.
 - b) According to information and explanation furnished to us by the Company there is no specific repayment specified by the Company.
 - c) There is an overdue interest from year 2017 – 18 onwards is outstanding as at the end of the year.
4. In our opinion and according to information and explanation furnished to us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to loans and investment made.
5. The Company has not accepted any deposits as applicable under the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other provisions of the Act and rules framed under. Accordingly, the provisions of clause 3(v) of the said Order are not applicable.
6. In our opinion and according to information and explanations furnished to us, the Central Government has prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 148 of the Act to Tractor division. In the opinion of the unit auditor, the tractor



division was covered by cost audit upto 2013 -14.

- a) According to the records of the Company, the Company is generally not regular in depositing undisputed statutory dues including Income Tax, service tax, duty of customs, duty of excise, value added tax, cess, GST and any other statutory dues to the appropriate authorities.
- b) The following undisputed amounts payable in respect of value added tax, cess and any other statutory dues in arrears as at March 31, 2019 for a period of more than six months from the date they become payable.

In respect of Corporate Head Office:

Sl. No.	Nature of the Statute	Nature of Dues	Amount (Rs. in lakhs)	Period to which Amount related to	Due Date	Date of Payment
1.	Greater Hyderabad Municipal Corporation	Property tax	185.44	For the year 2016 - 17, 2017 - 18 and first half of 2018 - 19		
2	Sales Tax of various states	Sales tax recovery of Lamps Division	62.93	Previous Years		

- c) According to the information and explanation given to us by the Company, there are no dues outstanding on account of any disputes in respect of income tax, service tax, customs duty or excise duty or value added tax or goods & service tax as at March 31, 2019.

Name of the Statute	Nature of Dues	Amount (Rs. in lakhs)	Amount paid under protest (INR)	Period to which the amount relates	Forum where dispute is pending
Sales tax	Sales tax liability	2.49	Nil	2012-13	Deputy Commissioner of Sales Tax, Aurangabad

8. Based on the information and explanations given to us, the Company had borrowed from Dena Bank and has defaulted in repayment of interest of Rs.2,034.73 lakhs. The Company has also defaulted in repayment of Government of India Loan amounting to Rs.23,705.20 Lakhs. However, it has not borrowed any amount from financial institution or issued the debentures.



9. In our opinion based on the information and explanation given to us, the Company, it has not raised any moneys by way of initial public offer or further public offer (including debt instruments and term loans. Accordingly, the provisions of clause 3(ix) of the said Order are not applicable.
10. According to the information and explanation given to us, there are no frauds reported by the Company or any fraud on the Company by its officers or employees has been noticed or reported during the year. Accordingly, the provisions of clause 3(x) of the said Order are not applicable.
11. According to the information and explanation given to us, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V of the Act.
12. The Company is not a Nidhi Company. Accordingly, the provisions of clause 3(xii) of the said Order are not applicable.
13. In our opinion and according to the information and explanation given to us and as represented to us by the management, all transactions with the related parties are in compliance with section 177 and 188 of the Act and the details have been disclosed in the Ind AS financial statements as required by the applicable Indian accounting standards.
14. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3(xiv) of the said Order are not applicable.
15. As represented to us by the management and according to the information and explanation given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3(xv) of the said Order are not applicable.
16. According to the information and explanation given, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, clause 3(xvi) of the Order is not applicable to the Company.

For B. K. RAMADHYANI & CO LLP
Chartered Accountants
Firm Registration No. 002878S/S200021

C. R. Deepak

(CA C R Deepak)
Partner

Membership No. 215398



Place: Bangalore
Date: May 28, 2019

ANNEXURE-B REFERRED TO IN PARAGRAPH 2 (f) UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT TO THE MEMBERS OF HMT LIMITED.

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act"):

We have audited the internal financial controls over financial reporting of HMT Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls:

The Company's management is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ("the Act").

Auditors' Responsibility:

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



Meaning of Internal Financial Controls Over Financial Reporting:

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting:

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Disclaimer Opinion:

In case of Food Processing Machinery Unit, Aurangabad the branch auditor has reported in the following manner:

The Company did not have an appropriate internal control system for inventory with regard to inventory valuation, as the process of mutual updating the purchase rates in the inventory software are not adequately getting updated in the system. Further, the internal control system for identification and allocation of overheads to inventory was also not adequate. These could potentially result in material misstatements in the company's consumption, inventory and expense account balances.

The Physical verification of assets was carried out for the FY 2015-16, however we could not find a reconciliation of such verification with the fixed assets register, thus an effective internal financial control may be evolved to ensure that there should not be any mismatch between the fixed asset register and physical assets with respect to the make of the asset, serial number and location which could potentially result in a material weakness in the process of verification of fixed assets.

The Company did not have adequate appropriate internal controls for reconciling and obtaining balance confirmation from sundry debtors, sundry creditors and other parties. This could potentially result in a material weakness, in the financial reporting process of debtors and creditors

The Company did not have appropriate internal controls for reconciliations and confirmations of Earnest Money Deposits, Security Deposits and other Deposits which could potentially result in a material weakness, in financial reporting process of current assets and current liabilities.

A "Material weakness" is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a



timely basis.

In our opinion, because of the possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the company has maintained, in all material respects, adequate internal financial controls over financial reporting were operating effectively as of March 31, 2019, based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing and extent of audit tests applied in our audit of the financial statements of the company as at and for the year ended March 31, 2019, and these material weaknesses have affected our opinion on the financial statements of the company and we have issued a qualified opinion on the financial statements.

In respect of Tractor Division, Pinjore:

In our opinion, the Company, in all material respects, has an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

In respect of Corporate Head Office, Bangalore and, Common Services Division, Bangalore:

The system of internal financial controls over financial reporting with respect of Common services division and Corporate Head Office, Bangalore were not made available to us to enable us to determine if the Company has established the adequate internal financial control over financial reporting at the aforesaid divisions and whether such internal financial controls were operating effectively as at March 31, 2019.

We have considered the disclaimer reported above in determining the nature, timing and extent of audit tests applied in our audit of the Ind AS standalone financial statements of the Company, and the disclaimer doesn't affect our opinion on the Ind AS standalone financial statements of the Company.

For B.K. RAMADHYANI & CO LLP

Chartered Accountants

Firm Registration No. 002878S/S200021

C. R. Deepak

(CA C R Deepak)

Partner

Membership No. 215398



Place: Bangalore

Date: May 28, 2019

ANNEXURE – C REFERRED TO IN PARAGRAPH 3 UNDER THE HEADING “REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS” OF OUR REPORT DIRECTIONS INDICATING THE AREARS TO BE EXAMINED BY STATUTORY AUDITORS DURING THE COURSE OF AUDIT OF ANNUAL ACCOUNTS OF HMT LIMITED FOR THE YEAR 2018 – 2019 ISSUED BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA (“C&AG”) UNDER SECTION 143 (5) OF THE COMPANIES ACT, 2013

Sl. No.	Directions	Audit Observations
1.	Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with financial implications, if any, may be stated.	Based on the information and explanation provided to us by the Company, all the accounting vouchers are manually prepared and entered into IT systems. All the vouchers are authorised by the appropriate authorities. In our opinion this doesn't have any financial implication.
2.	Whether there is any restructuring of an existing loan or cases of waiver/ write off of debts/ loans/ interest etc. made by a lender to the Company due to the Company's inability to repay the loan? If yes, the financial impact may be stated.	Based on the information and explanation furnished to us by the Company, there is no restructuring of loan/ waiver off of debts/ loans/ interest etc from its lenders.
3.	Whether funds received/ receivable for specific schemes from central/ state agencies were properly accounted for/ utilised a per its term and conditions? List the cases of deviations.	Based on the information and explanation furnished to us by the Company has received an amount of Rs.13.74 Lakhs from Department of Heave industry towards reimbursement expenses incurred by the Company for Financial & Strategic Review of Consolidation & Restructuring Plan of the Company paid to IIM, Bangalore. Since the communication from Department of Heavy Industry states as one-time interest free loan the same has been treated as current liabilities. Management has informed that it is in process of getting ratification for same. Accordingly, we are unable to comment whether it is loan or grant given by the Central Government.



INDEPENDENT AUDITOR'S REPORT

To the Members of HMT Limited

Report on Audit of the Consolidated Financial Statements

Qualified Opinion:

We have audited the Consolidated Ind AS financial statements of HMT Limited ("the Holding Company"), its subsidiaries, associates and joint ventures (collectively referred as "the Group") which comprise of balance sheet as at March 31, 2019, the statement of profit & loss, statement of changes in equity, the cashflow statement for the year then ended, and notes to Ind AS financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, except for the matters described in the Basis of Qualified Opinion section of our report, the aforesaid Consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, profit, changes in equity and its cash flows for the year ended on that date.

Basis of Qualified Opinion:

1. **Food Processing Machinery Unit, Aurangabad:**

As per information and explanation given to us with regards to the valuation of inventory as stated in Note No. 1.9 stock of raw material is valued by adopting Weighted Average Cost Method. However, in the inventory software for many stock items rates were not updated because of which respective stocks were valued at Nil. These were later manually updated based on the Purchase Orders available. Owing to the nature of Unit's records and in the absence of sufficient audit evidence, we are unable to ascertain if there is material departure from the Weighted Average Cost Method followed by the Company. We are also unable to ascertain its consequent impacts, if any, on the Ind AS Consolidated financial instruments.

2. **Tractor Business Group, Pinjore (including Hyderabad Assembly Project & Mohali unit):**

Lease rental income from leased out portions of land, apartments, school etc. lying within the premises of HMT Limited, Pinjore, has not been accounted as "Other Income" in the books of HMT Limited (Tractor Division), since, financial year 2017-18. During financial year 2016-17, a sum of Rs.143.90 lakhs depicted as rental income. In our opinion such income during financial year 2017 – 18 and 2018-19 should have been accounted in its books and suitable expenses relating to Estate Operation should have been accounted. However, management has informed us that these transactions have been accounted by HMT Machine Tools Limited. We are unable to ascertain the impact on these Ind AS financial statements due to absence of the information. To this extent the revenue is understated.

3. **Common Services Division, Bangalore:**

Attention is invited to note 46 in respect of reconciliation of GST collected on sales, input tax credit availed which is subject to reconciliation. We are unable to express any independent opinion on the same.



4. Corporate Head Office and the Group as a whole:

- a. The Company contributes provident fund to its employees to a provident fund trust, which is a defined benefit plan. As per Ind AS – 19, the Company as a whole has not obtained the actuarial valuation report and accounted for employer's contribution.
- b. Attention is invited to note 45 regarding confirmation and reconciliation of balance with whom it has transactions.

The effect revenue on all the above transactions are not ascertained.

5. HMT Machine Tools Limited ("MTL"):

- a. MTL has not made provision for liability if any, towards the interest payable to the parties covered under Micro, Small, Medium Enterprises Development Act, 2006.
- b. The accounting policy stated for the recognition of revenue is based on the Ind AS 18. However, with effect from April 1, 2018, Ind AS 18 has been withdrawn and has been replaced with Ind AS 115. The company's accounting policy recognizing the revenue has not been changed despite the enactment of the new standard. This results in non-compliance to Section 133 of the Act. The impact of such non-compliance on the loss, assets and liabilities is not ascertained.
- c. MTL has not carried out Impairment Test as required by Ind AS 36 even though both internal and external indicators are present due to Technological development and effect on the performance of the asset.

During August 2010, MTL had placed an order with CMC Limited for supply of hardware and implementation of SAP system across all the units of MTL. The scope of work envisaged included supply, installation, commissioning of hardware, SAP licences, customisation of software, training of employees etc. However, it has been informed that the implementation is negligible and due to inordinate delay in implementation, the SAP system has become redundant due to subsequent improvements in technology. MTL has incurred an amount of Rs.128.89 lakhs towards hardware which is grouped under Capital work in progress and Rs.229.35 lakhs towards development of software which is grouped under Intangible assets under development.

Since the SAP system is not fully customised and put to use due to delay in implementation we are unable to express any independent opinion with regard to impairment of the said asset as per Ind AS – 36.

- d. The unit has not complied from the requirement of Schedule II of Companies Act, 2013 of depreciating the assets over its useful life. The Company follows the policy of depreciating the plant and equipment costing less than Rs.10,000/- to Rs.1/- in the year of purchase. Due to unavailability of required information impact could not be quantified.
- e. Pinjore unit of MBL has booked interest income of Rs.4.47 lakhs on deposit with Uttar Haryana Bijli Vitran Nigam, which was pertaining to PY 2017-18. As per Ind AS-8, it requires retrospective adjustment of prior period errors and omissions by restating the comparative amounts for the prior period presented or where the errors relates to the periods before the earliest period presented, restating the opening balance of assets, liabilities and equity for that period. As the unit has not retrospectively adjusted the prior period error or omission of Rs.4.47 lakhs, it has not complied with the Accounting



Standard Ind AS 8.

- f. Hyderabad unit of MBL has booked an expense of Rs.17.08 lakhs in the books of accounts during the current year pertaining to previous accounting periods. As per Ind AS-8, it requires retrospective adjustment of prior period errors and omissions by restating the comparative amounts for the prior period presented or where the errors relate to the periods before the earliest period presented, restating the opening balance of assets, liabilities and equity for that period. As the unit has not retrospectively adjusted the prior period error or omission of Rs.17.08 lakhs, it has not complied with the Accounting Standard Ind AS 8.

6. HMT Watches Limited ("HWL")

i) Disagreement on Accounting Policies Inappropriate Disclosure:

a) Going Concern Concept:

- The Board of Directors of HWL in their 72nd board meeting held as on 18.01.2016 had decided to close down the HWL after getting the approval from cabinet committee of Economic Affairs.
- The accumulated losses of HWL as at the March 31, 2019 amounted to Rs.2,69,939.75 lakhs against which the paid up capital of HWL is Rs.649.01 lakhs and the losses has totally eroded the net worth of HWL.
- HWL has been incurring continues operating losses for the past many years.
- The total liabilities of HWL as at March 31, 2019 is Rs.2,75,217.41.95/- lakhs against which the Fixed and current assets of Rs.6,518.94 lakhs.
- The contingent liabilities disclosed in the financial statements as at March 31, 2018 are Rs.567.62 lakhs and there are other liabilities, which have not been quantified. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.
- Consequent to the decision of closing down HWL, it has sold all its Property Plant & Equipment ("PPE") other than the immovable properties and PPE of Ranibagh Unit. In respect of immovable property other than Ranibagh Unit, HWL is in the process of transferring the assets.

- b) Certain internal control deficiencies were observed during the course of audit of financial statements. The management does not establish adequate internal controls to ensure that transactions were properly classified, accounted, reviewed and reconciled. The units of HWL did not follow the established internal controls such as performing account reconciliations, obtaining periodical conformation of balances, and periodical verification of fixed assets, payment vouchers duly supported by sanctions and providing management an oversight of the financial management accounting processes.

- c) The Company has not complied with the disclosure of the following Ind AS:

- i) As per Ind AS – 8, HWL has not done the retrospective adjustment of prior period errors and omissions by restating the comparative amounts for prior period presented or where the errors relates to the period (s) before the earliest prior period presented, restating the opening balance of assets, liabilities and equity for that period.



- ii) As per Ind AS – 36, HWL has not identified, measured, quantified and disclosed the impairment of assets and its impact on the current financial statements.
- iii) As per Ind AS 109, HWL has not recognized interest free refundable security deposits at fair value.
- iv) Fair value of recognition of financial assets and liabilities.
- d) The details of PPE with written down value of Rs.1 lakh and above which have been retired from active use and disclosed at lower of book or net realizable value were not made available in respect of watch factory Ranibagh.
- e) Valuation of inventories not being in accordance with the IND AS 2 - Valuation of Inventories due to:
- During the year under review HWL had conducted physical verification of raw materials, work in progress and finished goods of all the divisions other than the Ranibagh Unit. However, we have not been provided any reconciliation statement of stock as per books and physical verification.
 - In watch factory Ranibagh the work in progress is valued at cost instead of cost or NRV whichever is lower.
 - Individual details of slow/non-moving goods and obsolete inventories were not made available to us. In Watch Marketing Division and Watch Factory Ranibagh no provision was made towards non-moving/slow moving inventory which is contrary to the Accounting policy of the Group. Accordingly, we are unable to comment on adequacy of such provisions made in the books of accounts.
 - No provision for additional duty redemption fine and penalty of Rs.150.00 lakhs was made in the accounts relating to watch components valued at Rs. 343.30 lakhs taken into custody by the Customs authorities in the earlier years in Watch Factory, Ranibagh.

In view of the above we do not express an independent opinion on the correctness of existence and valuation of inventories. Net effect of the same on the financial results is not ascertainable.

- f) As required by Part II, Schedule III of the Act, the statement of profit and loss Account does not disclose item of income or expenditure which exceeds 1 percent of revenue from the operation or Rs.10 lakh whichever is higher.
- g) Finance cost includes interest on delayed payment of statutory dues instead of disclosing the same distinctly.
- h) HWL has not made provision for liability towards the interest payable under Micro, Small and Medium Enterprises Development Act, 2006, if any, in the books of accounts. The impact of non-provision for such interest on the financial statements of HWL and the Group is not ascertainable. In the absence of confirmation from vendors and non-availability of adequate information with the units, provision made towards interest and the principal amount disclosed as dues as on balance sheet date, we are unable to comment on the adequacy of provision and the impact on the financial statements.
- i) HWL is in possession of lease hold land admeasuring 33.32 acres at Ranibagh. Lease period of the said land expired in 2014. HWL is still continuing to show the said land under Property, Plant & Equipment ("PPE") and claiming depreciation resulting in



section 143(10) of the Companies Act, 2013 ("the Act"). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Ind AS financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern of the Group:

Attention of the members is invited to Note 49 of the Consolidated financial statements regarding reasons for preparing these Consolidated Ind AS financial statements of the Group on going concern basis, notwithstanding the fact that the net-worth of the Group is completely eroded. The Group's total liabilities exceeded total assets by Rs.475,125.57 lakhs. The appropriateness of the said basis is inter-alia dependent on the Company's ability to realise from sale of non-current assets held for sale, support from Government of India and other business plans. We have also relied on the representation of the Company in this respect. Our opinion is not modified in this respect.

Key Audit Matters:

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Ind AS financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty related to going concern section, 2e have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Ind AS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
Adoption of Ind AS 115 - Revenue from Contract with Customers as described in note 2 i. and note 19 of the financial statements:	
<p>The Company has adopted Ind AS 115 - Revenue from Contracts with Customers, mandatory for reporting periods beginning on or after April 1, 2018.</p> <p>Application of Ind AS 115, including selection of transition method involves significant judgment in determining when 'control' of the goods or services underlying the performance obligation is transferred to the customer and the transition method to be applied.</p> <p>As the revenue recognition, due to the significance of the balance to the financial statements as a whole, we regard this as a key audit matter.</p>	<p>As part of our audit procedures, our procedures included the following:</p> <ul style="list-style-type: none"> - We have read the accounting policy for revenue recognition and assessed compliance of the policy in terms of principles enunciated under Ind AS 115. - We obtained and understood the revenue recognition process including determination of point of transfer of control and completion of performance obligation.



	<ul style="list-style-type: none"> - We performed test of details, on a sample basis, and examined the underlying customer contracts. - We examined the disclosures made by management in compliance with the requirements of Ind AS 115. <p>Conclusion:</p> <p>Our procedures did not identify any material exceptions.</p>
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Emphasis of Matter in respect of MTL reported by its auditor:

- i) The Net Realisable values are not ascertained for inventories therefore all the inventories are valued at weighted average cost. Due to non-availability of NRV, we are unable to express our opinion on the impact of such non-determination of the net realizable value compliance on the loss and value of assets could not be ascertained.
- ii) MTL has executed a Technical Collaboration Agreement with NUM AG, Switzerland, for developing numerical control system for machine tools during 2014. The company has paid initial installment of Euro 4,00,000. Four installments amounting Euro 5,71,429 is due as at March 31, 2018 for which provision has been made in the books of accounts. Though provision has been made in line with the technology agreement, it appears that NUM AG, has not provided cost effectively transfer of technology in entirety including staff training, resulting in lack of competitive and cost effective technology solution to develop, manufacture the product in house for sales.

As informed to us, the Company is communicating with NUM AG to rescind the agreement. In view of the proposed closure of the agreement making provision and accounting expenditure as capital work in progress is not justified.
- iii) Margin money deposit of Rs.43.33 lakhs has been classified as cash and cash equivalents. However, bank confirmation has been produced for Rs.33.29 lakhs. The liquidity and realisability of the balance Rs.10.04 lakhs is not ascertainable in absence of supporting documents.
- iv) Letter of credit charges at Hyderabad Unit of MBL has been included in the cost of Inventories deviating Ind AS 2 – Inventories. The impact of such cost on the loss and the assets of the division could not be ascertained.
- v) Advances include an amount of Rs.28.80 lakhs of brought forward input credit has not been included in Tran – 1 application filed by Hyderabad unit of MBL. Due to absence of documentary evidence of such receivable in the opinion of the auditor input credit should not be recognised.
- vi) During the year the members of HMT Chinar Watches Limited have decided to windup voluntarily with effect from March 25, 2019 and assigned all assets and liabilities to official liquidator. However, in opinion of the Company the control and board still exist as at the end of March 31, 2019. Accordingly, assets and liabilities of the said subsidiary is not derecognised in the books of account.



Other Information ["Information Other than the Financial Statements and Auditor's Report Thereon"]

The Company's Board of Directors are responsible for the other information. The other information comprises the information included in the board report but does not include the financial statements and our auditor's report thereon. The board report is expected to be made available to us after the date of auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Management's Responsibility for Consolidated Ind AS Financial Statements:

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act, with respect to the preparation of these Consolidated Ind AS financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional scepticism through the audit. We also:



- Identify and assess the risks of material misstatement of the Consolidated Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matters:

- i) We did not audit the financial statements/information of 2 units of the holding company i.e. Tractor Business Group, Pinjore and Food Processing Machinery Unit, Aurangabad included in these Consolidated Ind AS financial statements of the Company whose financial statements/financial information reflect total assets of Rs. 6,816.37 lakhs as at March 31, 2019 and total revenues of Rs. 6,022.898 lakhs (including amount included in discontinued operations of Rs.4,318.94 lakhs) for the year ended on that date. The financial statements/information of these branches has been audited by the branch auditors i.e. S P Babuta & Associates, Chartered Accountants, Chandigarh and CA AG & Associates, Chartered Accountants, Aurangabad respectively whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these units, are based solely on the report of such branch auditors.
- ii) We did not audit the financial statements of 5 subsidiaries whose financial statements reflect total assets of Rs.54,198.97 lakhs as at March 31, 2019, total revenues of Rs.29,950.34 Lakhs (including amount included in discontinued operations) and net cash out flows amounting to



Rs. 587.91 lakhs for the year ended on that date as considered in the consolidated Ind AS financial statements. The Financial statements of these subsidiaries are audited by other auditors whose report have been furnished to us by the Holding Company and our opinion on the consolidated Ind AS financial statements, in so far as its relates to the amounts and disclosures included in respect of these subsidiaries and Joint venture company and our report in terms of subsections (3) and (11) of Sec 143 of the Act, in so far as it relates to the aforesaid subsidiaries and Joint Venture company, is based solely on the report of the other auditors. Our opinion on the consolidated financial statements, and our report on other legal and regulatory requirements below, is not modified in respect of this matter with respect to our reliance on the work done and the report of the other auditor.

- iii) The holding company has not received financial statements of Gujarat State Machine Tools Limited for the year ended March 31, 2019, an associate. Based on the latest available financial statements net worth of the said associate has completely eroded. Accordingly, share of loss of the Group was Rs. Nil Lakhs (restricted to the value of the investments) has been considered for preparation of these Ind AS consolidated financial statements. Last available financial statements as received from the said associate has been considered for the purpose of preparation of these Ind AS consolidated financial statements.
- iv) Audited financial statements of Sudmo HMT Process Engineers (India) Limited, a joint venture in which share of loss of the Group was Rs. 0.75 Lakhs has been considered for preparation of these Ind AS consolidated financial statements.

In respect of holding company & its units:

- v) The financial statements of Lamp Division have been merged with CHO Accounts and our report insofar as it relates to the amounts included in respect of this Division is based solely on the Closing Balances of Last Year's Financial statements of CHO accounts except payment of Rs.73.67 lakhs towards due to Greater Hyderabad Municipal Corporation.
- vi) The Company has discharged the debt of State Bank of India, but the discharge of loan is not reflected in the charge Index of charges registered with Registrar of Companies of its Index Number 80046855.
- vii) The Company has made a provision for non-moving inventories amounting to Rs.443.23 lakhs based on the certificate furnished by the management and relied upon by the auditors of the respective units.
- vii) **The Branch Auditors of Tractor Business Group, Pinjore ("the Unit") have reported the following other matters:**

- a) As per the Company's accounting policy, Inventories are valued at lower of cost or net realisable value. The cost of material is ascertained by adopting "Weighted Average Method", till the operations of the Unit continued its operations. The Unit has closed its operations in year 2016 – 17 and were meant for sale as spares and not for manufacturing. During the year, substantial portion of inventories were disposed off at prices lower than its realisable value.

The Unit during the year had outsourced valuation of inventories to an independent valuer and based on his report we have considered the realisable value as under:

Store Inventory	- 60% of book value.
Tractor spare parts inventory	- 60% of book value.
Work in progress	- 60% of book value.



Finished tractors - 23% of book value.

- b. Balance in current maturities of VRS Loan from of India amounting to Rs.12,831.60 lakhs as reported in note 17 of the financial statements is reported based on the certificate given by the management. Out of the above amount, an amount of Rs.23,705.20 lakhs has been shown as continuous defaults of Government of India Loans.
- c) During an earlier year the Unit has discontinued its operations and is in the process of making settlement for all its receivables and payables. The Company need to carry out proper review of following balances and take necessary action:

Particulars	Amount (Rs. In lakhs)	Remarks
Amount due to PWD	22.18	Due for more than 10 years
Claim recoverable from Motokov Ltd	0.11	Outstanding since 1989 – 90
Customs Duty Deposit	0.22	Old balance
Bombay Port Trust	0.01	Old balance

- ix) **The Branch Auditors of Food Processing Machinery Division, Aurangabad ("the Unit") have reported the following other matters:**

- a. Inventories of the unit has been valued by the Company and auditors have relied based on the certificate furnished by the unit amounting to Rs.317.47 lakhs and provision for non-moving inventory amounting to Rs. 89.90 Lakhs.
- b. Disclosure in respect of contingent liabilities has been furnished based on the information and representations received from the management.

- x) **In respect of Common Services Division, Bangalore ("the Unit")**

During the previous year the Unit had purchased certain watches and its components from its subsidiary HMT Watches Limited based on the value determined by the independent valuer. During the year the Company has determined estimated realisable value which is lower than cost and reported as inventories of watches in its financial statements which has been relied upon by auditors.

- ix) **In respect of HWL the auditor has reported the following:**

- a. Non-Current assets held for sale includes immovable properties vested under the Scheme of Arrangement approved by Government of India and non-carrying of the mutation of title deeds in the revenue records to that effect. Accordingly, the title of the said properties could not be ensured.
- b. HWL is in the possession of gifted land located at Bangalore admeasuring 89.74 acres of which 7 acres of land encroached upto and the matter taken up with the Government of Karnataka to shift the un authorized occupants. Though HWL is in possession of land at various units, it has not obtained up to date encumbrance certificate from the concerned authorities to ascertain the extent of encroachment/ title verification.



Report on Other Legal & Regulatory Requirements:

1. As required by the section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. Except for the possible effects of the matters described in the Basis for Qualified opinion section and other matters section, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c. The Consolidated Balance Sheet, Consolidated statement of Profit and Loss, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in the Equity dealt with by this Report are in agreement with the books of account.
 - d. Attention is invited to par)a 1, 4 a., 5 b., e., f., 6 i) c., e., 6 ii) g, 8 a) and c) of the 'Basis of Qualified Opinion' section which are not in compliance of Indian Accounting Standards ("Ind AS"), accordingly, in our opinion, the aforesaid Ind AS Consolidated Financial Statements don't comply with Ind AS specified in section 133 of the Act.
 - e. The Company being a Government Company, provisions of 164 (2) of the Act is not applicable with respect to appointment of directors.
 - f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure A**".
 - g. With respect to other matters to be included in the Auditors report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us,
 - i) The Company has disclosed its pending litigations which would impact its financial position in note 34 of the Ind AS Consolidated financial statements.
 - ii) The Company did not have any long-term contracts as required under the applicable law or accounting standards and also not entered into any derivative contracts, accordingly no provision is required to be made in respect of material foreseeable losses.
 - iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.



3. As required by Section 143 (5) of the Act, our submissions are as under:

We give in the "Annexure-B", a statement on the compliance to Directions issued by the Comptroller and Audit General of India.

For B.K.RAMADHYANI & CO LLP
Chartered Accountants
Firm Registration No. 002878S/S200021

C. R. *Deepak*

(CA C R Deepak)

Partner

Membership No. 215398



Place: New Delhi
Date: May 28, 2019

ANNEXURE-A REFERRED TO IN PARAGRAPH 1 (f) UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT TO THE MEMBERS OF HMT LIMITED.

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act"):

We have audited the internal financial controls over financial reporting of HMT Limited ("the Holding Company"), its subsidiary companies and its Joint Venture, which are companies incorporated in India as of March 31, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls:

The respective Board of Directors of the Holding company, its subsidiary companies and its Joint Venture company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ("the Act").

Auditors' Responsibility:

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other matters paragraph below is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



Meaning of Internal Financial Controls Over Financial Reporting:

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting:

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Disclaimer of Opinion: (Issued by us on Holding Company)

In case of Food Processing Machinery Unit, Aurangabad the branch auditor has reported in the following manner:

The Company did not have an appropriate internal control system for inventory with regard to inventory valuation, as the process of mutual updating the purchase rates in the inventory software are not adequately getting updated in the system. Further, the internal control system for identification and allocation of overheads to inventory was also not adequate. These could potentially result in material misstatements in the company's consumption, inventory and expense account balances.

The Physical verification of assets was carried out for the FY 2015-16, however we could not find a reconciliation of such verification with the fixed assets register, thus an effective internal financial control may be evolved to ensure that there should not be any mismatch between the fixed asset register and physical assets with respect to the make of the asset, serial number and location which could potentially result in a material weakness in the process of verification of fixed assets.

The Company did not have adequate appropriate internal controls for reconciling and obtaining balance confirmation from sundry debtors, sundry creditors and other parties. This could potentially result in a material weakness, in the financial reporting process of debtors and creditors

The Company did not have appropriate internal controls for reconciliations and confirmations of Earnest Money Deposits, Security Deposits and other Deposits which could potentially result in a material weakness, in financial reporting process of current assets and current liabilities.

A "Material weakness" is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a



Meaning of Internal Financial Controls Over Financial Reporting:

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting:

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Disclaimer of Opinion: (Issued by us on Holding Company)

In case of Food Processing Machinery Unit, Aurangabad the branch auditor has reported in the following manner:

The Company did not have an appropriate internal control system for inventory with regard to inventory valuation, as the process of mutual updating the purchase rates in the inventory software are not adequately getting updated in the system. Further, the internal control system for identification and allocation of overheads to inventory was also not adequate. These could potentially result in material misstatements in the company's consumption, inventory and expense account balances.

The Physical verification of assets was carried out for the FY 2015-16, however we could not find a reconciliation of such verification with the fixed assets register, thus an effective internal financial control may be evolved to ensure that there should not be any mismatch between the fixed asset register and physical assets with respect to the make of the asset, serial number and location which could potentially result in a material weakness in the process of verification of fixed assets.

The Company did not have adequate appropriate internal controls for reconciling and obtaining balance confirmation from sundry debtors, sundry creditors and other parties. This could potentially result in a material weakness, in the financial reporting process of debtors and creditors

The Company did not have appropriate internal controls for reconciliations and confirmations of Earnest Money Deposits, Security Deposits and other Deposits which could potentially result in a material weakness, in financial reporting process of current assets and current liabilities.

A "Material weakness" is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a



timely basis.

In our opinion, because of the possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the company has maintained, in all material respects, adequate internal financial controls over financial reporting were operating effectively as of March 31, 2019, based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing and extent of audit tests applied in our audit of the financial statements of the company as at and for the year ended March 31, 2019, and these material weaknesses have affected our opinion on the financial statements of the company and we have issued a qualified opinion on the financial statements.

In respect of Tractor Division, Pinjore:

In our opinion, the Company, in all material respects, has an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

In respect of Corporate Head Office, Bangalore and Common Services Division, Bangalore:

The system of internal financial controls over financial reporting with respect of Tractor Division, Pinjore, Common services division and Corporate Head Office, Bangalore were not made available to us to enable us to determine if the Company has established the adequate internal financial control over financial reporting at the aforesaid divisions and whether such internal financial controls were operating effectively as at March 31, 2019.

We have considered the disclaimer reported above in determining the nature, timing and extent of audit tests applied in our audit of the Ind AS consolidated financial statements of the Company, and the disclaimer doesn't affect our opinion on the Ind AS consolidated financial statements of the Company.

Opinion (issued by statutory auditors of HMT Machine Tools Limited):

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Disclaimer of Opinion (issued by statutory auditors of HMT Watches Limited):

The system of internal financial controls over financial reporting with regard to the Company were not made available to us to enable us to determine if the Company has established adequate internal financial control over financial reporting and whether such internal financial controls were operating effectively as at March 31, 2019.

The system of internal financial controls over financial reporting with regard to the Units of the



Company have not been audited by the respective statutory auditors of the Units and we are unable to determine if the Units have established adequate internal financial control over financial reporting and whether such internal financial controls were operating effectively as at March 31, 2019.

We have considered the disclaimer reported above in determining the nature, timing, and extent of audit tests applied in our audit of the standalone financial statements of the Company, and disclaimer has affected our opinion on the financial statements of the standalone Company and we have issued a disclaimer opinion on the financial statements.

Opinion (issued by statutory auditors of HMT Chinar Watches Limited):

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Disclaimer of Opinion (Issued by Statutory auditors of HMT Bearings Limited):

- a. In view of lack of sufficient appropriate audit evidence of establishment of a frame work for internal financial control over financial reporting, we are unable to express our opinion, regarding adequacy of internal financial control over financial reporting and whether or not such internal financial controls were operating effectively as at March 31, 2019.
- b. Though the framework for internal financial control over financial reporting is not established, we have considered the same in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements of the Company and it does not impact our audit opinion on the financial statements.

Opinion (issued by statutory auditors of HMT (International) Limited):

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India

Other Matters:

Our aforesaid reports under section 143 (3) (i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to 5 subsidiary companies and 1 joint venture, incorporated in India, are based on the corresponding reports of the auditor of such companies incorporated in India.

For B.K.RAMADHYANI & CO LLP
Chartered Accountants
Firm Registration No. 002878S/S200021

C. R. Deepak

(CA C R Deepak)

Partner

Membership No. 215398

Place: Bangalore
Date: May 28, 2019



ANNEXURE – B REFERRED TO IN PARAGRAPH 3 UNDER THE HEADING “REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS” OF OUR REPORT DIRECTIONS INDICATING THE AREARS TO BE EXAMINED BY STATUTORY AUDITORS DURING THE COURSE OF AUDIT OF ANNUAL ACCOUNTS OF HMT LIMITED FOR THE YEAR 2018 – 2019 ISSUED BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA (“C&AG”) UNDER SECTION 143 (5) OF THE COMPANIES ACT, 2013

Sl. No.	Directions	Audit Observations
1.	Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with financial implications, if any, may be stated.	Based on the information and explanation provided to us by the Company, all the accounting vouchers are manually prepared and entered into IT systems. All the vouchers are authorised by the appropriate authorities. In our opinion this doesn't have any financial implication.
2.	Whether there is any restructuring of an existing loan or cases of waiver/ write off of debts/ loans/ interest etc. made by a lender to the Company due to the Company's inability to repay the loan? If yes, the financial impact may be stated.	Based on the information and explanation furnished to us by the Company, there is no restructuring of loan/ waiver off of debts/ loans/ interest etc from its lenders.
3.	Whether funds received/ receivable for specific schemes from central/ state agencies were properly accounted for/ utilised a per its term and conditions? List the cases of deviations.	Based on the information and explanation furnished to us by the Company has received an amount of Rs.13.74 Lakhs from Department of Heave industry towards reimbursement expenses incurred by the Company for Financial & Strategic Review of Consolidation & Restructuring Plan of the Company paid to IIM, Bangalore. Since the communication from Department of Heavy Industry states as one-time interest free loan the same has been treated as current liabilities. Management has informed that it is in process of getting ratification for same. Accordingly, we are unable to comment whether it is loan or grant given by the Central Government.



A. In respect of subsidiaries.

1. **Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with financial implications, if any, may be stated.**

MTL In the opinion of the subsidiary auditor, MTL does not have system in place to process all the accounting transactions through IT systems. However, the Company has adopted standalone PC/ Local Area Network at each location for accounting using tally or other software.

HMT Bearings Limited Not furnished

HMT Watches Limited Not furnished

HMT Chinar Watches Limited Not furnished

HMT International Limited Not furnished

2. **Whether there is any restructuring of an existing loan or cases of waiver/ write off of debts/ loans/ interest etc. made by a lender to the Company due to the Company's inability to repay the loan? If yes, the financial impact may be stated.**

MTL There has been old outstanding due to GOI which has not been repaid or being repaid on an ongoing basis for past several years. We have not been provided with details of any write off/ waiver etc and accordingly, unable to comment on financial impact if any.

HMT Bearings Limited Not furnished

HMT Watches Limited Not furnished

HMT Chinar Watches Limited Not furnished

HMT International Limited Not furnished

3. **Whether funds received/ receivable for specific schemes from central/ state agencies were properly accounted for/ utilised a per its term and conditions? List the cases of deviations.**

MTL The Company has availed working capital loan and bridge loan of Rs.348.53 crores from the GOI and has applied the same for the purpose for which it was availed.

HMT Bearings Limited Not furnished

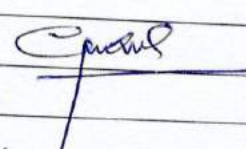

HMT Watches Limited Not furnished

HMT Chinar Watches Limited Not furnished

HMT International Limited Not furnished

**HMT LIMITED
(CONSOLIDATED)**
Statement of Impact of Audit qualification (for Audit Report with modified opinion) submitted
Along-with Annual Financial Results

Statement of Impact of Audit Qualifications for the Financial Year ended March 31, 2019
[See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations, 2016]

I	Sl.No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1.	Turnover/ Total income (Rs. in Lakhs)	30802.39	30802.39
	2.	Total Expenditure (Rs. in Lakhs)	35169.76	35169.76
	3.	Net Profit / (Loss) (Rs. in Lakhs)	14381.75	14381.75
	4.	Earnings Per Share (in Rs.)	4.36	4.36
	5.	Total Assets (Rs. in Lakhs)	71802.87	71802.87
	6.	Total Liabilities (Rs. in Lakhs)	546928.44	546928.44
	7.	Net Worth (Rs. in Lakhs)	(475125.57)	(475125.57)
	8.	Any other financial item (s) (as felt appropriate by the Management)	Nil	Nil
II	Audit Qualification (each audit qualification separately):			
	a. Details of Audit Qualification : As per enclosure			
	b. Type of Audit Qualification : Qualified Opinion			
	c. Frequency of Qualification : As per enclosure			
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views :NIL			
	e. For Audit Qualification(s) where the impact is not quantified by the auditor:			
	(i) Management's estimation on the impact of Audit Qualification: NIL			
	(ii) If Management is unable to estimate the impact, reasons for the same : As per enclosure			
	(iii) Auditors Comments on (i) or (ii) above :			
III	Signatories :			
	• CEO/Managing Director			
	• CFO			
	• Audit Committee Chairman			
	• Statutory Auditor			
	Place : New Delhi			
	Date : 28-05-2019			



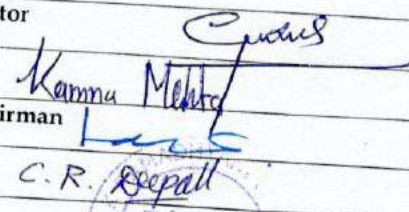

HMT LIMITED
(STANDALONE)
Statement of Impact of Audit qualification (for Audit Report with modified opinion) submitted
Along-with Annual Financial Results

Statement of Impact of Audit Qualifications for the Financial Year ended March 31, 2019
[See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations, 2016]

I	Sl.No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1.	Turnover/ Total income (Rs. in Lakhs)	4819.03	4819.03
	2.	Total Expenditure (Rs. in Lakhs)	3125.40	3125.40
	3.	Net Profit / (Loss) (Rs. in Lakhs)	1692.47	1692.47
	4.	Earnings Per Share (in Rs.)	0.48	0.48
	5.	Total Assets (Rs. in Lakhs)	105594.76	105594.76
	6.	Total Liabilities (Rs. in Lakhs)	93873.36	93873.36
	7.	Net Worth (Rs. in Lakhs)	11721.40	11721.40
	8.	Any other financial item (s) (as felt appropriate by the Management)	Nil	Nil

- II** Audit Qualification (each audit qualification separately):
- a. **Details of Audit Qualification :** As per enclosure
- b. **Type of Audit Qualification :** Qualified Opinion
- c. **Frequency of Qualification :** As per enclosure
- d. **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views :** NIL
- e. **For Audit Qualification(s) where the impact is not quantified by the auditor:**
- (i) Management's estimation on the impact of Audit Qualification: NIL
- (ii) If Management is unable to estimate the impact, reasons for the same : As per enclosure
- (iii) Auditors Comments on (i) or (ii) above :

III Signatories :

<ul style="list-style-type: none"> • CEO/Managing Director • CFO • Audit Committee Chairman • Statutory Auditor 	 
Place : New Delhi	
Date : 28-05-2019	



QUALIFIED OPINION OF STATUTORY AUDITOR AND MANAGEMENT REPLIES

HMT LIMITED (CONSOLIDATED)

Audit Observations	Management Reply	Frequency of Qualification
<p><u>Food Processing Machinery Unit, Aurangabad</u></p> <ul style="list-style-type: none"> As per information and explanation given to us with regards to the valuation of inventory as stated in Note No. 1.9 stock of raw material is valued by adopting Weighted Average Cost Method. However, in the inventory software for many stock items rates were not updated because of which respective stocks were valued at Nil. These were later manually updated based on the Purchase Orders available. Owing to the nature of Unit's records and in the absence of sufficient audit evidence, we are unable to ascertain if there is material departure from the Weighted Average Cost Method followed by the Company. We are also unable to ascertain its consequent impacts, if any, on the Ind AS standalone financial instruments. 	<p>The inventory valued by method adopted Weighted Average Cost. There is some 20-30 item of store (consumable) valued nil due to system error/ software drawback. It will corrected as earliest said stock has valued as per Purchase cost from PO. Hence there may not be material impact with the valuation of inventories.</p>	<p>Repetitive</p>
<p><u>Tractor Business Group, Pinjore</u></p> <ul style="list-style-type: none"> Lease rental income from leased out portions of land, apartments, school etc. lying within the premises of HMT Limited, Pinjore, has not been accounted as "Other Income" in the books of HMT Limited (Tractor Division), since, financial year 2017-18. During financial year 2016-17, a sum of Rs.143.90 lakhs depicted as rental income. In our opinion such income during financial year 2017 - 18 and 2018-19 should have been accounted in its books and suitable expenses relating to Estate Operation should have been accounted. However, management has informed us that these transactions have been accounted by HMT Machine Tools Limited. We are unable to ascertain the impact on these Ind AS financial statements due to absence of the information. To this extent the 	<p>Immediately after the closure of operation of Tractor Business Group, Pinjore it was decided by Corporate Head Office to hand over the rental income from HMT Estate to HMT Machine Tools Limited, Pinjore. Correspondingly all expenses of estate were also shifted to HMT Machine Tools Limited, Pinjore.</p>	<p>First time</p>



revenue is understated..		
<p>Common Services Division</p> <p>a) Attention is invited to note 22 in respect of reconciliation of GST collected on sales, input tax credit availed which is subject to reconciliation. We are unable to express any independent opinion on the same.</p>	Reconciliation of GST on sales and input tax credit availed will be carried out during 2019-20.	Repetitive
<p>Corporate Head Office and Company as a whole</p> <p>a) The Company contributes provident fund to its employees to a provident fund trust, which is a defined benefit plan. As per Ind AS – 19, the Company as a whole has not obtained the actuarial valuation report and accounted for employer's contribution.</p> <p>b) Attention is invited to note 45 regarding confirmation and reconciliation of balance with whom it has transactions.</p>	<p>HMT Limited (Holding Company) has five subsidiary Companies, viz., 1) HMT Machine Tools Limited, 2) HMT Watches Limited, 3) HMT (International) Limited, 4) HMT Bearings Limited and 5) HMT Chinar Watches Limited. The PF Trusts of various Units of the Subsidiary companies are situated in different locations, viz., Bangalore, Pinjore, Hyderabad, Kalamassery, Ajmer & Srinagar. Further, combinations of two or more Subsidiary Companies PF accounts are being maintained by single PF Trust.</p> <p>Further, HMT Watch Factory, Ranibagh PF Trust had been taken over by the Office of The Regional Provident Fund Commissioner's w.e.f. 01.09.2010.</p> <p>For implementing Indian Accounting Standard bifurcation of income & expenditure, assets & liabilities of PF Trust is required and since in the PF trust Account, income & expenditure statement and balance sheets are common for the employees of different Companies / Units managed by it, as such, it is very difficult to bifurcate the same. However, all our efforts are being made to compile the required information for the purpose of actuarial valuation</p> <p>Confirmation from the parties will be obtained during 2019-20.</p>	Repetitive
HMT MACHINE TOOLS LIMITED ("MTL")		



<p>1. MTL has not made provision for liability if any, towards the interest payable to the parties covered under Micro, Small, Medium Enterprises Development Act, 2006.</p>	<p>Company is in the process of collecting details from MSME Vendors. Delay if any is on account of non-submission of details by the MSME Vendors.</p>	<p>First Time</p>
<p>2. The accounting policy stated for the recognition of revenue is based on the Ind AS 18. However, with effect from April 1, 2018, Ind AS 18 has been withdrawn and has been replaced with Ind AS 115. The company's accounting policy recognizing the revenue has not been changed despite the enactment of the new standard. This results in non-compliance to Section 133 of the Act. The impact of such non-compliance on the loss, assets and liabilities is not ascertained.</p>	<p>Company will follow Ind AS 115 for the FY 2019-20, once the new accounting policy is adopted by Holding Company and after obtaining necessary approval, even though the changes in Accounting Standard will not have any impact on the financials of the Company</p>	<p>First Time</p>
<p>3. MTL has not carried out Impairment Test as required by Ind AS 36 even though both internal and external indicators are present due to Technological development and effect on the performance of the asset.</p> <p>During August 2010, MTL had placed an order with CMC Limited for supply of hardware and implementation of SAP system across all the units of MTL. The scope of work envisaged included supply, installation, commissioning of hardware, SAP licences, customisation of software, training of employees etc. However, it has been informed that the implementation is negligible and due to inordinate delay in implementation, the SAP system has become redundant due to subsequent improvements in technology. MTL has incurred an amount of Rs.128.89 lakhs towards hardware which is grouped under Capital work in progress and Rs.229.35 lakhs towards development of software which is grouped under Intangible assets under development.</p> <p>Since the SAP system is not fully customized and put to use due to delay in implementation we are unable to</p>	<p>Company will carry out Impairment Test and necessary action in FY 2019-20.</p>	<p>First Time</p>



<p>express any independent opinion with regard to impairment of the said asset as per Ind AS – 36.</p>		
<p>4. The Unit has not complied from the requirement of Schedule-II of Companies Act, 2013 of depreciating the assets over its useful life and such depreciable amount shall be the cost of assets less its residual value. The company follows the policy of depreciating the Plant and Equipment costing less than Rs.10,000/- to Rs.1/- in the year of Purchase. Due to unavailability of required information impact could not be quantified.</p>	<p>The Company will follow Schedule-II of Companies Act, 2013 for depreciating assets fully in respect of Assets costing less than Rs. 10,000/- retaining residual Value at Re.1/-</p>	<p>First Time</p>
<p>5. Pinjore unit of MBL has booked interest income of Rs.4.47 lakhs on deposit with Uttar Haryana Bijli Vitran Nigam, which was pertaining to PY 2017-18. As per Ind AS-8, it requires retrospective adjustment of prior period errors and omissions by restating the comparative amounts for the prior period presented or where the errors relates to the periods before the earliest period presented, restating the opening balance of assets, liabilities and equity for that period. As the unit has not retrospectively adjusted the prior period error or omission of Rs.4.47 lakhs, it has not complied with the Accounting Standard Ind AS 8</p>	<p>The Company will follow Ind AS for the FY 2019-20, once the new accounting policy is adopted by Holding Company and after obtaining necessary approval. The value is less than 0.25% of the Total Revenue.</p>	<p>First Time</p>
<p>6. Hyderabad unit of MBL has booked an expense of Rs.17.08 lakhs in the books of accounts during the current year pertaining to previous accounting periods. As per Ind AS-8, it requires retrospective adjustment of prior period errors and omissions by restating the comparative amounts for the prior period presented or where the errors relate to the periods before the earliest period presented, restating the opening balance of assets, liabilities and equity for that period. As the unit has not retrospectively adjusted the prior period error or omission of Rs.17.08 lakhs, it has not complied with the Accounting Standard Ind AS 8.</p>	<p>The Company will follow Ind AS for the FY 2019-20, once the new accounting policy is adopted by Holding Company and after obtaining necessary approval. The value is less than 0.3% of the Total Revenue.</p>	<p>First Time</p>



HMT WATCHES LIMITED ("HWL")

1. Disagreement on Accounting Policies Inappropriate Disclosure:

I. Disagreement on Accounting Policies inappropriate Disclosure.

a) Going Concern Concept:

- The Board of Directors of HWL in their 72nd board meeting held as on 18.01.2016 had decided to close down the HWL after getting the approval from cabinet committee of Economic Affairs s.
- The accumulated losses of HWL as at the March 31, 2019 amounted to Rs.2,69,939.75 Lakhs against which the paid up capital of HWL is Rs.649.01 Lakhs and the losses has totally eroded the net worth of HWL.
- HWL has been incurring continues operating losses for the past many years .
- The total liabilities of HWL as at March 3,2019 is Rs.2,75,217.41.95/- Lakhs against which the Fixed and current assets of Rs.6,518.94 lakhs .
- The contingent liabilities disclosed in the financial statements as at March 31, 2018 are Rs.567.62 lakhs and there are other liabilities, which have not been quantified. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.
- Consequent to the decision of closing down HWL, it has sold all its Property Plant & Equipment ("PPE") other than the immovable properties and PPE of Ranibagh Unit. In respect of immovable property other than Ranibagh Unit,

The Company is a subsidiary of HMT Limited and has been carrying on its activities. The Company has been receiving financial support from the Government of India. The financial statements have been prepared as per Ind AS ongoing concern concept.

DHI conveyed vide letter dated 13-1-2016, the decision of the CCEA to close the Company by sending the all the employees on VRS/VSS. The Company has relieved all the employees on VRS/VSS and retrenchment.

Repetitive



<p>HWL is in the process of transferring the assets.</p> <p>b) Certain internal control deficiencies were observed during the course of audit of financial statements. The management does not establish adequate internal controls to ensure that transactions were properly classified, accounted, reviewed and reconciled. The units of HWL did not follow the established internal controls such as performing account reconciliations, obtaining periodical conformation of balances, and periodical verification of fixed assets, payment vouchers duly supported by sanctions and providing management an oversight of the financial management accounting processes.</p>	<p>The Company has appointed the practicing Chartered Accountant firms as Internal auditors. There are no major discrepancies are reported by the internal auditors. The necessary corrective action as suggested by auditor has been taken care during the Next financial year.</p>	<p>Repetitive</p>
<p>c) The Company has not complied the disclosure for the following as per IND AS:-</p> <p>i. As per Ind AS – 8, HWL has not done the retrospective adjustment of prior period errors and omissions by restating the comparative amounts for prior period presented or where the errors relates to the period (s) before the earliest prior period presented, restating the opening balance of assets, liabilities and equity for that period.</p>	<p>In our opinion the Company doesn't have any prior period expenses which require adjustment as per Ind AS. Hence, no restatement is not done.</p>	<p>Repetitive</p>
<p>ii. As per Ind AS – 36, HWL has not identified, measured, quantified and disclosed the impairment of assets and its impact on the current financial statements.</p>	<p>The Company is under closure and classified all its PPE under non Current Assets held for Sale at Book Value the NRV is more than the Book Value, Hence there is no impairment.</p>	<p>Repetitive</p>
<p>iii. As per Ind AS 109, HWL has not</p>	<p>The Company is under closure and</p>	<p>Repetitive</p>



<p>recognized interest free refundable security deposits at fair value.</p>	<p>extinguishing all its liabilities and realizing all assets at the earliest to remove its name from ROC. Therefore security deposit has to be refunded immediately.</p>	
<p>iv. Fair value of recognition of financial assets and liabilities</p>	<p>The Company is under closure and The Assets and Liabilities are being addressed during the next financial year.</p>	<p>Repetitive</p>
<p>d) The details of PPE with written down value of Rs.1 lakh and above which have been retired from active use and disclosed at lower of book or net realizable value were not made available in respect of watch factory Ranibagh.</p>	<p>The Details of PPE will be made available during the next financial year.</p>	<p>Repetitive</p>
<p>e) Valuation of inventories not being in accordance with the IND AS 2 - Valuation of Inventories due to :</p>		
<ul style="list-style-type: none"> • During the year under review HWL had conducted physical verification of raw materials, work in progress and finished goods of all the divisions other than the Ranibagh Unit. However, we have not been provided any reconciliation statement of stock as per books and physical verification. 	<p>The Company has reconciled Inventories with Books of Accounts in respect of Ranibagh Unit.</p>	<p>Repetitive</p>
<ul style="list-style-type: none"> • In watch factory Ranibagh the work in progress is valued at cost instead of cost or NRV whichever is lower . 	<p>The valuation of WIP is at cost only as there is no MRP/NRV for the WIP. We are not selling the WIP.</p>	<p>Repetitive</p>
<ul style="list-style-type: none"> • Individual details of slow/non-moving goods and obsolete inventories were not made available to us. In Watch Marketing Division and Watch Factory Ranibagh no provision was made towards non-moving/slow moving inventory 	<p>The Company has made a provision of Rs. 11.12 Crores at WFR</p>	<p>Repetitive</p>



<p>which is contrary to the Accounting policy of the Group. Accordingly, we are unable to comment on adequacy of such provisions made in the books of accounts.</p> <ul style="list-style-type: none"> No provision for additional duty redemption fine and penalty of Rs.150.00 lakhs was made in the accounts relating to watch components valued at Rs. 343.30 lakhs taken into custody by the Customs authorities in the earlier years in Watch Factory, Ranibagh. <p>In view of the above we do not express an independent opinion on the correctness of existence and valuation of inventories. Net effect of the same on the financial results is not ascertainable.</p> <p>f) As required by Part II, Schedule III of the Act, the statement of profit and loss Account does not disclose item of income or expenditure which exceeds 1 percent of revenue from the operation or Rs.10 lakh whichever is higher.</p> <p>g) Finance cost includes interest on delayed payment of statutory dues instead of disclosing the same distinctly .</p> <p>h) HWL has not made provision for liability towards the interest payable under Micro, Small and Medium Enterprises Development Act, 2006, if any, in the books of accounts. The impact of non-provision for such interest on the financial statements of HWL and the</p>	<p>The case is settled in favor of the Company. The Company is needed not to make any provision</p> <p>The annual accounts are prepared based on the quantum transactions. Further, it is noted and the same will be reviewed and necessary corrective action will be taken during the FY 2019-20.</p> <p>It is noted and the same will be reviewed and necessary corrective action will be taken during the FY 2019-20.</p> <p>As per the data/information available with the Company, the Vendors are not MSME Certified/Registered</p>	<p>Repetitive</p> <p>Repetitive</p> <p>Repetitive</p> <p>Repetitive</p>
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Group is not ascertainable. In the absence of confirmation from vendors and non-availability of adequate information with the units, provision made towards interest and the principal amount disclosed as dues as on balance sheet date, we are unable to comment on the adequacy of provision and the impact on the financial statements.

i) HWL is in possession of lease hold land admeasuring 33.32 acres at Ranibagh. Lease period of the said land expired in 2014. HWL is still continuing to show the said land under Property, Plant & Equipment ("PPE") and claiming depreciation resulting in overstatement of PPE and understatement of losses to an extent of Rs.5.14 lakhs.

II. Disagreement on accounting issues

a) Other current liabilities include an amount of Rs.926.64 Lakhs relating to advances received against sale of land including buildings. HWL has executed an agreement to sell and the possession of land (including buildings) has been given to the purchaser. The transaction has not been recognized as sale pending approval from the concerned authorities for the execution of sale deed. The value of land (including buildings) has been included in the respective head under PPE though there are no future economic benefits flowing to HWL or to the Group and the possession is already given to the buyer.

b) There is no system of obtaining

It is noted and the same will be reviewed and necessary corrective action will be taken during the FY 2019-20.

Repetitive

The sale deed has not yet been executed since approval from the competent authority has not been obtained and the Company has been consistently adopting the accounting such sale only after conveyance of the property

Repetitive

All the trade receivables are pertaining prior to the period of 2005. We have made provision for

Repetitive



<p>periodical confirmation of balances relating to trade receivables, trade payables, loans and advances, current liabilities and provisions and in many cases the balances are subject to reconciliation. The effect of the same on current assets and current liabilities and on the net loss for the year is not ascertainable. Reconciliation has not been done for many years. We are unable to obtain direct balance confirmation from parties in the absence of details of parties made available to us.</p>	<p>all the trade receivables. However, it is to be noted that all the parties are under litigation and with the court cases</p>	<p>Repetitive</p>
<p>c) Balances with banks in current account with scheduled banks relating to few of the show rooms amounting to Rs. 31.38 Lakhs and cash on hand amounting to Rs. 1.29 lakhs relating to Watch Marketing Division are disclosed as per books of accounts. We have not been provided the bank confirmation of balance and physical cash certificates. No explanation with regard to the cash balance of show rooms and bank balances were provided to us.</p>	<p>The Company closed all the Show rooms and funds available at show rooms are transferred to Watch Marketing division account. After verification it is noted that the amounts transferred to WMK account is accounted in the Suspense account and later transferred to other income instead of concerned show room account. Necessary corrective action will be taken after getting / correcting the requisite information / data/ documents from the Units.</p>	<p>Repetitive</p>
<p>d) Other current assets include a sum of Rs.21.11 lakhs representing suspense account Dr. (OBS) and Rs.1.98 lakhs representing suspense account debit – OBS Opn (Cr.) relating to watch marketing division. Individual details of such credits/ debits were not ascertainable and are subject to reconciliation.</p>	<p>The suspense accounts will be reconciled during the FY 2019-20 and will be closed by obtaining approval from the competent authority</p>	<p>Repetitive</p>
<p>e) GST liability under reverse charge mechanism has neither</p>	<p>All the payments are made on account basis. Necessary action will be taken at the time of final settlement made to the party</p>	<p>Repetitive</p>



<p>been ascertained nor provided for in the accounts .</p>	<p>The interest on delayed payment of statutory dues are paid</p>	<p>Repetitive</p>
<p>f) The details for interest on delayed payment statutory dues were not made available. HWL has neither ascertained nor worked out the quantum of penal interest, penalties and damages towards default in remitting statutory dues.</p>	<p>The case is pending with Honorable HIGH COURT. The payments will be made as and when the received order from Court.</p>	<p>Repetitive</p>
<p>g) No provision towards gratuity amounting to Rs. 28 Lakhs during training period has been made in the financial statements as ordered by ALC on the applications filed by 125 separated employees and orders of Honorable High Court of Karnataka to deposit Rs. 28 Lakhs, which is contrary to IND AS 37 – Provisions, Contingent Liabilities and Contingent Assets, resulting in understatement of loss and current liabilities and provisions to that extent,</p>	<p>The Company has approached the various Courts to recover dues from the RDS. These amounts will adjusted towards dues from the parties at the time of settlement on receipt of the court orders.</p>	<p>Repetitive</p>
<p>h) In Watch Marketing Division, Retention Deposit, EMD and Security Deposits and other old outstanding liabilities shown under other current liabilities continue to be carried forward and many of the showrooms have been closed. Complete party wise details of such deposits are not available and no steps have been taken to ascertain the details and review/reconciliation of such deposits.</p>	<p>All the transaction pertains to VAT are explained to the concerned authorities. The unit is closed.</p>	<p>Repetitive</p>
<p>i) KVAT input credit as per books of Watch Factory, Tumkur is Rs.18.11 Lakhs whereas as per KVAT Form 100 it is NIL. No reconciliation has been carried out by HWL .</p>	<p>The party has no documents and the documents which are produced</p>	<p>Repetitive</p>



<p>j) HWL has not disclosed contingent liability if any, relating to sale of land to Canara Bank and subsequent claim by third party vide miscellaneous petition no. 621/622 pending adjudication .</p> <p>k) No provision has been made for liabilities aggregating Rs. 1,588.57 lakhs in respect of employee related claims relating to lockouts, back wages, incentives, annual bonus etc. This has resulted in understatement of net loss by Rs. 1,588.57 lakhs and corresponding understatement of current liabilities to that extent.</p> <p>l) In pursuant to distress warrant dated 23-12-2011 issued by BBMP for recovery of Rs.381.31 lakhs of property tax along with penalty for the period from 01-10-1995 to 2011-12, a total provision of Rs.665.19 lakhs has been made towards such taxes and penalties as at the March 31, 2018.</p> <p>m) One of the creditor of HWL had obtained execution decree dated 30-05-1998 passed in OS no. 15652 of 2008 for Rs. 128 lakhs. This fact together with contingent liability if any has not been disclosed in the financial statements of HWL.</p> <p>Effect on all the above matters is not ascertainable on the financial statements of the Group</p>	<p>are found in the court are bogus. There is no need to make any provision in the books of accounts</p> <p>This case is pertains to 1979-80. As all the employees are relived on VRS after taking under taking of no dues from the Company. The Company will review the status of the cases and corrective action will be taken during 2019-20.</p> <p>The Company has made one time settlement with BBMP. Awaiting the final order.</p> <p>The Company settled the amount in the court.</p>	<p>Repetitive</p> <p>Repetitive</p> <p>Repetitive</p>
<p>HMT BEARINGS LIMITED ("HBL")</p>		
<p>Our adverse opinion is based on the following</p>		



observations:

a. Though the company is under closure as reported in material uncertainty related to going concern section, the accounts have been prepared on a going concern basis deviating from Ind AS 1.

The Company received approval from DHI vide letter dated 13-1-2016. The company relieved all the employees on VRS and disposed the movable and immovable assets of the company. The Company also received the approval from DHI for winding up. The company has to settle the Debtor, creditors and legal cases. It is therefore the company drawn the accounts as going concern.,

Repetitive

b. In terms of letter dated January 13, 2016 received from the Government of India, Ministry of Heavy Industries and public Enterprises, the company failed to transfer the entire proceeds of sale of immovable property to the Government of India, and also in terms of subsequent letter dated 13th January, 2017, failed to write off the GOI loan. The said non-compliance has resulted in under stating of the other Equity of the company by Rs.8,303.29 lakhs and over stating of Other Financial Liabilities by Rs.8,303.29 lakhs.

As per the CCEA approval the GOI Loans will be written off in the Books only on the closure of the Company..

First Time

c. HBL has neither made any provision for expected credit loss nor has obtained confirmation of balances from trade receivables whose balances are outstanding for more than one year and they have been classified as current assets. HBL is doubtful of recovery of the said debts.

The Company is in the process of winding up and is forming a Committee for One Time Settlement of Creditors and recovery of Debtors and the balance if any payable/receivable will be reconciled before Voluntary Winding up of Company.

Repetitive

d. Trade payables and certain advance accounts of HBL were carried forward from previous year and shown under current liabilities/ assets. HBL has no records/ confirmation letters for the same to determine whether they are payable/ receivable or not.

The company is in the process of settling all creditors after determining the amounts during 2019-20. The company is in the process of winding up. By ascertaining the amounts of advances, it will be settled during 2019-20

First Time



<p>e. HBL has not disclosed information as required by Micro, Small and Medium Enterprises Development Act, 2006.</p> <p>Effect on all the above is not ascertainable on the Financial Statement of the Group.</p>	<p>The creditors are not submitted the data regarding the registration of MSME</p>	<p>Repetitive</p>
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