

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 2017

(Rs in lakhs)

	Particulars	Standalone					Consolidated	
		Three months ended			Year ended		Year ended	
		March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	Audited*	Unaudited	Audited	Audited *	Audited	Audited *	Audited	
I	CONTINUING OPERATIONS							
1	Revenue from Operations	361	229	231	1043	726	21536	25191
2	Other Income	343	330	8842	1103	10448	4,184	11,496
	Total Income	704	559	9073	2146	11174	25720	36687
3	Expenses							
	a) Cost of materials consumed	83	77	84	267	246	8096	9214
	b) Purchase of Stock in Trade						204	1870
	c) Changes in Inventories (Increase)/decrease in SIT/WIP	(42)	6	(10)	7	(58)	1592	(1024)
	d) Excise Duty	6	4	7	29	32	2091	2163
	e) Changes in Excise Duty on (Increase)/decrease in Fin. Goods	2		3	2	3	(98)	(78)
	f) Employee benefits expense	236	267	218	1026	1106	14450	16055
	g) Depreciation and amortisation expense	15	5	9	32	27	1055	1005
	h) Finance Costs	57	80	88	288	297	5591	4839
	i) Other expenses	4739	93	178	5042	470	10060	5308
	Total expenses	5096	532	577	6693	2123	43041	39352
4	Profit/(Loss) before Share of Investment in Associate & Joint Venture, Exceptional Items & Tax from Continuing Operations	(4392)	27	8496	(4547)	9051	(17321)	(2665)
5a	Share of Profit/(Loss) of an Associate & Joint venture	-	-	-	-	-	-	-
5b	Exceptional Items	531	-	-	531	-	531	-
6	Profit/(Loss) before Tax	(3861)	27	8496	(4016)	9051	(16790)	(2665)
7	Tax Expense	(1861)		0	(1861)		(1842)	32
8	Profit/(Loss) for the period from Continuing Operations	(2000)	27	8496	(2155)	9051	(14948)	(2697)
II	DISCONTINUED OPERATIONS							
9	Profit/(Loss) for the period from Discontinued Operations	(9139)	(6867)	(1018)	(21794)	(10765)	(39455)	(25153)
10	Tax income/(Expense) of Discontinued Operations							
11	Profit/(Loss) from Discontinued Operations	(9139)	(6867)	(1018)	(21794)	(10765)	(39455)	(25153)
12	Profit/(Loss) for the period	(11139)	(6840)	7478	(23949)	(1714)	(54403)	(27850)
13	Other Comprehensive Income							
	i) Items that will not be reclassified to profit / (Loss)	360	(3)	127	349	(15)	302	(905)
	ii) Income Tax relating to items that will not be reclassified to Profit / Loss						4	-
	Net Other Comprehensive Income	360	(3)	127	349	(15)	306	(905)
14	Total Comprehensive Income for the period (12±13)	(10779)	(6843)	7605	(23600)	(1729)	(54097)	(28755)
15	Profit/(Loss) for the year attributable to :							
	Equity holder of the parent						(54401)	(27844)
	Non-Controlling Interest						(2)	(6)
16	Total Other Comprehensive income for the year attributable to :						(54095)	(28749)
	Equity holder of the parent						(2)	(6)
	Non-Controlling Interest							
17	Paid-up Equity Share Capital (Face Value - Rs.10/-)	120409	120409	120409	120409	120409	120409	120409
18	Other Equity	-	-	-	(99879)	(86576)	(589891)	(546090)
19	Earnings per share from Continuing Operations (face value Rs.10/- each)							
	i) Basic	(0.17)	0.00	0.71	(0.18)	0.75	(1.24)	(0.22)
	ii) Diluted	(0.17)	0.00	0.71	(0.18)	0.75	(1.24)	(0.22)
	Earnings per share from Discontinued Operations (face value Rs.10/- each)							
	i) Basic	(0.76)	(0.57)	(0.08)	(1.81)	(0.89)	(3.28)	(2.09)
	ii) Diluted	(0.76)	(0.57)	(0.08)	(1.81)	(0.89)	(3.28)	(2.09)
	Earnings per share from Continuing & Discontinued Operations (face value Rs.10/- each)							
	i) Basic	(0.93)	(0.57)	0.62	(1.99)	(0.14)	(4.52)	(2.31)
	ii) Diluted	(0.93)	(0.57)	0.62	(1.99)	(0.14)	(4.52)	(2.31)



STATEMENT OF ASSETS AND LIABILITIES

Sl.	Particulars	Standalone		Consolidated	
		As at 31-03-2017 Audited*	As at 31-03-2016 Audited*	As at 31-03-2017 Audited*	As at 31-03-2016 Audited*
A	ASSETS				
1	Non Current Assets				
	(a) Property, plant & equipment	1645	2225	7240	8723
	(b) Capital work-in-progress	-	4	129	133
	(c) Intangible Assets	-	-	13	31
	(d) Intangible Assets under development	-	-	734	534
	(e) Investment property	300	1	353	54
	(f) Financial Assets				
	Investments	72029	76425	115	114
	(g) Other Assets	-	442	6	448
	Sub total	73974	79097	8590	10037
2	Current Assets				
	(a) Inventories	1858	2522	14372	17593
	(b) Financial Assets				
	Trade Receivables	595	1543	9634	10000
	Cash & Cash Equivalents	13622	916	24561	36046
	Loans	155	146	-	-
	Other Financial Assets	4	-	1458	724
	(c) Other Assets	2598	3775	7224	8363
	Sub total	18832	8902	57249	72726
3	Non Current Assets held for sale	12	-	700	849
	TOTAL ASSETS	92818	87999	66539	83612
B	EQUITY & LIABILITIES				
1	Equity				
	(a) Equity share capital	120409	120409	120409	120409
	(b) Other equity	(99879)	(86576)	(589891)	(546090)
	Equity attributable to Equity holders of the parent	20530	33833	(469482)	(425681)
	(c) Non Controlling Interests	-	-	(78)	(76)
	Total equity	20530	33833	(469560)	(425757)
2	Non-current liabilities				
	(a) Financial Liabilities				
	Borrowings	33198	2812	43533	19608
	(b) Provisions				
	Employee Benefits	1058	7605	8266	19196
	(c) Deferred tax liability (net)	-	-	86	75
	Sub total	34256	10417	51885	38879
2	Current liabilities				
	(a) Financial Liabilities				
	Borrowings	732	3616	3431	5527
	Trade Payables	1618	1878	8525	8377
	Other Financial Liabilities	17408	12633	406103	379022
	(b) Government Grant	-	-	23	-
	(c) Other current liabilities	16350	19853	52974	63163
	(d) Provisions				
	Employee Benefits	1713	3620	8185	11846
	Others	211	288	4968	652
	(e) Current tax liabilities (net)	-	1861	5	1903
	Sub total	38032	43749	484214	470490
	TOTAL LIABILITIES	72288	54166	536099	509369
	TOTAL EQUITY & LIABILITIES	92818	87999	66539	83612



Particulars	Consolidated	
	31.03.2017 Audited	31.03.2016 Audited
1 Segment Revenue		
Food Processing Machinery	1043	726
Machine Tools	19752	21783
Exports	2398	3391
Total	23193	25899
Less: inter Segment Revenue	1657	708
Total	21536	25191
2 Segment Results		
Segment Result before interest & Taxes		
Food Processing Machinery	(4261)	7578
Machine Tools	(13070)	(10396)
Exports	540	153
Total	(16791)	(2665)
Less: Interest Expenses	5591	4839
Profit/(Loss) before Tax	(22382)	(7504)
3 Other information (Capital Employed)		
Food Processing Machinery	(4763)	(21867)
Machine Tools	(16943)	(9414)
Exports	2893	2858
Unallocated and Discontinued	(450748)	(397334)
Total	(469560)	(426756)

Note:

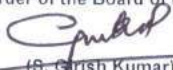
- The above Results for the quarter and year ended 31 March 2017 have been reviewed by the Audit Committee and approved by the Board at its Meeting held on August 29, 2017
- The Company has adopted Indian Accounting Standards ("Ind AS") from April 1, 2016 and accordingly, these financial results have been prepared in accordance with Companies (Indian Accounting Standard) Rules, 2015 as prescribed under Section 133 of the Companies Act, 2013 read with the relevant rules issued thereunder and the other accounting principles generally accepted in India. However, the Company had published its results upto December 31, 2016 as per AS i.e Generally Accepted Accounting Principles in India (Indian GAAP).
- The Tractor business of the Company has been discontinued as per CCEA approval during year 2016-17. Accordingly, figures during the quarters/year ended 31-3-2016 have been included in Discontinued Operations.
- The adoption of Ind AS have necessitated changes in the accounting, recognition and measurement criteria of various assets, liabilities and items of income and expenditure. The reconciliation of the financial results as reported under previous GAAP with those restated as per IND AS for the quarter ended March 31, 2016, December 31, 2016 and Year ended March 31, 2016 (both standalone and consolidated) are as under:

Particulars	Standalone			Consolidated	
	Qtr ended	Qtr ended	Year ended	Year ended	
	Mar'16	Dec'16	Mar'16	Mar'16	
Profit/(Loss) as per Indian GAAP	4861	(7041)	(2474)	(32320)	
Reduction in Post employee defined benefit obligation	1109	193	726	2418	
Re measurement gain -Other Comprehensive income	1635	5	20	1309	
Reversal of provisions / expenses	-	-	-	(68)	
Dividend from Subsidiaries	-	-	-	(14)	
Prior Period items	-	-	(1)	(87)	
Deferred Tax Adjustment	-	-	-	7	
Profit/(Loss) as per IND AS	7605	(6843)	(1729)	(28755)	

- The figures for three months ended 31st March 2017 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 Accounting Standard (Ind As 108) on 'Segment Reporting' is not applicable for Standalone.
- Figures of previous year have been regrouped wherever necessary.

* Subject to Review by C&AG

By order of the Board of Directors


(G. Ganish Kumar)

Chairman and Managing Director



Place: New Delhi
Date: 29-08-2017

EXTRACT OF THE AUDITED STANDALONE AND CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND YEAR
ENDED 31ST MARCH 2017

(Rs. in lakhs)

Particulars	STANDALONE					CONSOLIDATED	
	Three months ended			Year Ended		Year Ended	
	31-03-2017 Audited*	31-12-2016 Unaudited	31-03-2016 Audited	31-03-2017 Audited*	31-03-2016 Audited	31-03-2017 Audited*	31-03-2016 Audited
1 Total income from Continuing Operations	704	559	9073	2146	11174	25720	36687
2 Net profit/ (loss) for the period (before tax, exceptional items)	(4392)	27	8496	(4547)	9051	(17321)	(2665)
3 Net profit/ (loss) for the period before tax (after exceptional items)	(3861)	27	8496	(4016)	9051	(16790)	(2665)
4 Net profit/ (loss) for the period after tax (after exceptional items)	(2000)	27	8496	(2155)	9051	(14948)	(2697)
5 Net Profit/(Loss) from Discontinued Operations	(9139)	(6867)	(1018)	(21794)	(10765)	(39455)	(25153)
6 Total Comprehensive Income for the period (comprising profit for the period and other comprehensive income(net of tax))	(10779)	(6843)	7605	(23600)	(1729)	(54097)	(28755)
7 Profit/(Loss) for the year attributable to :							
Equity holder of the parent						(54401)	(27844)
Non-Controlling Interest						(2)	(6)
8 Total Other Comprehensive income for the year attributable to :						(54095)	(28749)
Equity holder of the parent						(2)	(6)
Non-Controlling Interest							
9 Paid up Equity Share Capital (face value of Rs.10/- each)	120409	120409	120409	120409	120409	120409	120409
10 Other Equity				(99879)	(86576)	(589891)	(546090)
11 Earnings Per Share from continuing operations (face value of Rs.10/- each)							
Basic :	(0.17)	0.00	0.71	(0.18)	0.75	(1.24)	(0.22)
Diluted :	(0.17)	0.00	0.71	(0.18)	0.75	(1.24)	(0.22)
Earnings Per Share from discontinued operations (face value of Rs.10/- each)							
Basic :	(0.76)	(0.57)	(0.08)	(1.81)	(0.89)	(3.28)	(2.09)
Diluted :	(0.76)	(0.57)	(0.08)	(1.81)	(0.89)	(3.28)	(2.09)

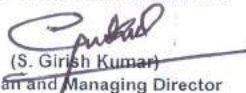
Note:

1. The above is an extract of the detailed format of Quarterly Financial Results filed with the Stock Exchanges under regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The full format of the Quarterly Financial Results are available on the websites of Stock Exchange of www.nseindia.com and www.bseindia.com and on the Company's website www.hmtindia.com

2. Figures of previous year have been regrouped wherever necessary.

** Subject to C&AG Review

By order of the Board of Directors


(S. Girish Kumar)
Chairman and Managing Director



Place: New Delhi

Date: 29-8-2017

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HMT Limited**

Report on the Ind AS Standalone Financial Statements:

We have audited the accompanying Ind AS standalone financial statements of HMT Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Standalone Financial Statements:

The Company's Board of Directors are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS standalone financial statements that give a true and fair view of the state of affairs (financial position), loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

Our responsibility is to express an opinion on these Ind AS standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made thereunder.

We conducted our audit of the Ind AS standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of



the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS standalone financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Ind AS standalone financial statements.

Basis of our Qualified Opinion:

1. Food Processing Machinery Unit, Aurangabad:

- a) As per information and explanation given to us with regards to the valuation of inventory as stated in Note No. 1.9) and 3) amounting to Rs. 285.58 lakhs, stock of raw material (including stock considered in WIP and FG are valued, based on the purchase order rates which are periodically updated in the inventory software. However, we observed many items, rates for which were not updated in the inventory software, thereby valuing the respective stock items as nil. These were later regularised manually based on the PO's available. Owing to the nature of the Company's records and in the absence of sufficient appropriate audit evidence, we are unable to ascertain if there is a departure from the weighted average cost method of valuation followed by the Company. We are also unable to ascertain its consequent impact, if any, on the Ind AS standalone financial statements.
- b) With regards to provision for non-moving inventory as stated in Note No.3) amounting to Rs.62.08 lakhs, the Company has relied on the report generated from the inventory software, however as discussed in the above paragraph, even in this report, the rates have not been updated against many stock items. Accordingly, the value of non-moving inventory is understated, consequently affecting the provision for non-moving inventory and thereby profit of the Company. The effects on the Ind AS standalone financial statements is not ascertainable.

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

- a) The unit has sought confirmations of most of Trade Receivables, Trade Payables, Loans & Advances, although Balances are subject to confirmation and reconciliation if any.
- b) The amount outstanding Rs.132.24 lakhs with respect to provision for contingent liability for the interest payable on additional demand of CST demand. It is the case of statutory due pending for more than 6 months. The unit has availed the government scheme i.e., onetime settlement scheme during the year FY 17-18 by depositing the 10% of interest component amounting Rs. 13.22 lakhs.
- c) As per Ind AS requirement, the unit has not obtained actuarial valuation with respect to provident fund.

3 Corporate Head Office ("CHO"):

- 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 has not obtained the actuarial valuation report and accounted for employer's contribution.
- b) The Company is in the process of obtaining the confirmation of balances from the parties with whom it has transactions. The effect on the revenue is not ascertained.



Qualified Opinion:

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of other Branch Auditors, except for the effects of the matter described in the "Basis of our Qualified Opinion" paragraph, the aforesaid standalone 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 (financial position) of the Company as at March 31, 2017, and its loss (financial performance including other comprehensive income), the changes in the equity and the cashflows for the year ended on that date.

Emphasis of Matter:

Attention of the members is invited to note 45 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 networth of the Company is substantially eroded. The appropriateness of the said basis is interalia 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.

Other Matters:

i) **Incoming auditor to audit comparative information for adjustments to transition to Ind AS:**

The comparative financial information of the Company for the year ended March 31, 2016 and the transition date opening balance sheet as at April 1, 2015 included in these standalone Ind AS financial statements are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by the M/s Dokania S. Kumar & Co., Chartered Accountants whose report for the year ended March 31, 2016 and March 31, 2015 dated May 30, 2016 and July 7, 2015 respectively expressed an Qualified opinion on those standalone financial statements, as adjusted for the differences in the accounting principles adopted by the Company on the transition to the Ind AS, to an extent identified and which have been audited by us.

ii) We did not audit the financial statements/information of 3 units i.e. Tractor Business Group, Pinjore, Food Processing Machinery Unit, Aurangabad and Common Services Division, Bangalore included in the standalone Ind AS financial statements of the Company whose financial statements/financial information reflect total assets of Rs. 11,931.23 lakhs as at March 31, 2017 and total revenues of Rs. 3,728.91 lakhs (including amount included in discontinued operations of Rs.2,874.20 lakhs) for the year ended on that date. The financial statements/ information of these branches have been audited by the branch auditors i.e. Goel Subhash & Associates, Ambala Cantt, M R Hundiwala & Co., Aurangabad and S V Jagadeesh & Co., Bangalore Chartered Accountants 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.

iii) 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.183.68 lakhs towards due to Greater Hyderabad Municipal Corporation and Commercial Tax Officer, Hyderabad.

- iv) 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, 2017.
- v) 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.
- vi) The Company has made a provision for non-moving inventories amounting to Rs.553.82 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) Balance in current maturities of VRS Loan from of India amounting to Rs.10,873.60 lakhs as reported in note 17 of the financial statements is reported based on the certificate given by the management.
- b) The Unit has made a provision of Rs.5,883.39 lakhs for allowance of trade receivables, the Unit auditors have relied based on the certificate furnished by the management.
- c) During the year, the Unit has made a provision for contingencies amounting to Rs.204.77 lakhs, the Unit auditors have relied based on the certificate furnished by the management.
- d) During the 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
Modvat Recoverable of Hyderabad Division	7.26	Outstanding since 2005
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.285.58 lakhs.



- b. Disclosure in respect of contingent liabilities has been furnished based on the information and representations received from the management.

Report on Other Legal & Regulatory Requirements:

1. 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.
2. 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 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. On the basis of the written representations received from the directors as on March 31, 2017 taken on the record by the Board of Directors, none of the directors is disqualified as on that date from being appointed as a director in terms of section 164(2) of the Act.
 - 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 29 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.



iv) The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings Specified Banking Notes during the period from November 8, 2016 to December 30, 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note – 41 of the Ind AS standalone financial statements.

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

- a) We give in the "**Annexure-C**", a statement on the compliance to Directions issued by the Comptroller and Audit General of India.
- b) We have not received any statement on the compliance to specific sub directions issued by the Principle Director, Commercial Audit and Ex-Officio Member, Audit Board, Hyderabad for financial year 2016-17.

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: August 29, 2017

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE- 560 055

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) Management during the year has physically verified PPE as per a phased program of physical verification except in Food Processing Machinery Unit, Aurangabad. The discrepancies noticed on such verification were not material and the same has been properly dealt with in the books of account.
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.
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 for year 2016 – 17 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 as the Company to Tractor division. In the opinion of the unit auditor, prescribed cost records have been maintained by the Unit.



7. 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 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, 2017 for a period of more than six months from the date they become payable.

In respect of Tractor Division:

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.	VAT/CST	Interest on demand	132.25 6.63 4.25	2001-02 to 2006-07 2012-13 2013-14		
2.	VAT/CST		7.02 13.46 5.34	1.4.16-31.3.2017 2012-13 2013-14		

In respect of Food Processing Machinery Division:

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.	Provident Fund	Provident Fund dues (Incl. of interest thereon)	25,80,920 1,23,30,482 54,14,346	2014-15 2015-16 2016-17	All due dates are before 30 th Sep, 2016	April 2017



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	43,93,921	Previous years arrear penalty	1.	Greater Hyderabad Municipal Corporation
2	SPF	Employees Contribution	42,99,741	Since 31.3.2015 up to 31.3.2016	2	SPF
3	VPF	Employees Contribution(Incl., PF loan)	53,03,282	Since 31.3.2015 up to 31.3.2016	3	VPF
4	PF	Employer's Contribution	38,40,980	Since 31.3.2015 up to 31.3.2016	4	PF

- 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 except for the following in respect of Food Processing Division.

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 liability tax	3.42	Nil	2010-11	Deputy Commissioner of Sales Tax, Aurangabad



8. Based on the information and explanations given to us, the following amounts borrowed from any banks and government has been defaulted by the Company. However, it has not borrowed any amount from financial institution or issued the debentures.
- i) In respect of Corporate Head Office, Tractor Division, Food Processing Division and Common Services Division, principal and interest on loan received from the Government of India ("GOI") has been waived based on the letter received from Department of Heavy Industries, GOI.
 - ii) In respect of Corporate Head Office, it has defaulted in repayment of loan taken from Dena Bank amounting to Rs.986.50 lakhs and interest of Rs.1,862.02 lakhs as at March 31, 2017.
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 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: New Delhi

Date: August 29, 2017

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE- 560 055.

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, 2017 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 31 March 2017, 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 31 March 2017, 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 Common Services Division, Bangalore:

The branch auditor has reported that, in all material aspects internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, 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 Institute of Chartered Accountants of India.

In respect of Corporate Head Officer, Bangalore and Tractor Division, Pinjore:

The system of internal financial controls over financial reporting with respect of Tractor Division, Pinjore 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 31 March 2017.

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: New Delhi

Date: August 29, 2017

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE- 560 055

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 2016 – 2017 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.	If the Company has been selected for disinvestment, a complete statue report in terms of valuation of Assets (including intangible assets and land) and Liabilities (including Committed & General Reserves) may be examined including the mode and present stage of disinvestment process.	The Company has not been selected for disinvestment.
2.	Please report whether there are any cases of waiver/write off debts/loans/interest etc., if yes the reasons there for and the amount involved.	Based on the information and explanations furnished to us by the Company, there are no cases of waiver/ written off of loans interest etc. given by the Company. However, the Company has made a provision of Rs.40.85 lakhs for obsolescence for inventories, Rs.1,034.85 lakhs for trade receivables, Rs.9.1 lakhs for loans & advances and Rs.4,395.87 lakhs for investments.
3.	Whether the Proper records are maintained for inventories lying with the third parties & assets as gift from Govt. or other authorities	No inventories are maintained at CHO Level. Proper records have been maintained for the assets received from Govt. or other authorities. As per the report of branch auditors, proper records have been maintained for inventories lying with the third parties and assets received as gift from Govt. or other authorities.
4.	A report on age-wise analysis of pending legal/arbitration cases including the reasons for pendency and existence /effectiveness of a monitoring mechanism for expenditure on all legal cases (foreign and local) may be given	The age wise analysis of pending legal/arbitration cases of other units and CHO Level are enclosed in ‘Annexure C-1’



Annexure 'C-1' to the Annexure 'C' of the Independent Auditor's Report

The Annexure referred to in Annexure 'C' to our Independent Auditor's Report to the members of the Company on the Ind AS standalone financial statements for the year ended 31 March 2017:

As per the Audit Report of Food Processing Machinery Unit:

Year of Lodgment	Case No.	No. of Cases	Reason for pendency
2002	56/02	1	As a result of legal process
2002	272/02	1	As a result of legal process
2010	115/10	1	As a result of legal process
2012	WP21063/2012	1	As a result of legal process
2012	306/2012	1	As a result of legal process
2016	103/2016 CRA/2176 3/2016	3	As a result of legal process

As per the Audit report of Tractor Division, Pinjore:

Year of lodgment	No. of Cases	Reasons for pendency
2016-17	33	Not provided by branch auditor
2015-16	5	Not provided by branch auditor
2014-15	8	Not provided by branch auditor
2013-14	24	Not provided by branch auditor
Prior to 2013-14	111	Not provided by branch auditor

As per the Audit report of Common Services Division:

Sl.No.	Case reference	Description of the case
1.	CS 4916/2004	Suit filed by IOC for recovery of Rs.27,72,804 from HMT Ltd
2.	No. 214/2006	No work to the Ex Auditorium employees. Hence they have filed petition u/s 33 of ID Act. Culminated in ref no. 214/2006
	MA 51/2013	Eviction proceedings challenged by the employee



4.	MA 50/2013	Eviction proceedings challenged by the employee
5.	2011	After closing HMT Co-operative Society, not handed over premises
6.	CA 387/2013	M/s NTR Khan Associates has filed case for revival of winding petition for violation of terms of joint memo
7.	WA 4152/09 arising out of WP No. 4166/08	GOK filed a written appeal High Court Judgment vide WP No. 4166 in which we challenged the retrospective amendment to MA Act and claimed refund of Rs. 1.18 crores
8.	WP No. 58755/13	The petitioner has challenged against, 1. Eviction order passed by estate office 2. To set aside city court order of 18.11.2013
9.	WP No. 56045 & 56046 of 2015	The petitioner have challenged a notice connected to eviction proceedings of two Ex-employees for Non- payment of rental dues
10.	OS No 5102 To 5117	Suit filed for permanent injunction against HMT and not to interfere peaceful position and enjoyment
11.	WP 38419 to 38428 & 46844	Challenging the O/o no 06 dtd 13.6.2016

In respect of Corporate Head Office:

Year/ Date of Lodgment	No. of Cases	Reason for pendency
25.06.2012	1	Stay granted and Matter is due with High Court Bangalore against M/s Mallige Estate (P) Ltd for Land taxes
Not Available	1	Case against LIC in Delhi is pending. No record is available for our verification.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HMT Limited**

Report on the Ind AS Consolidated Financial Statements:

We have audited the accompanying Ind AS consolidated financial statements of HMT Limited ("the Holding Company"), its subsidiaries, associate and joint venture (collectively referred as "the Group") which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Consolidated Financial Statements:

The Holding Company's Board of Directors is responsible for the preparation of these Ind AS consolidated financial statements in terms of the requirements of the Companies Act, 2013 (herein after referred to as " the Act") that give a true and fair view of the state of affairs (financial position), loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with relevant rules issued thereunder. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate 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 consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error which has been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company as aforesaid.



Auditor's Responsibility:

Our responsibility is to express an opinion on these Ind AS consolidated financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made thereunder.

We conducted our audit of the Ind AS consolidated financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Ind AS consolidated financial statements.

Basis of our Qualified Opinion:

1. Food Processing Machinery Unit, Aurangabad of the Holding Company:

- a) As per information and explanation given to us with regards to the valuation of inventory as stated in Note No. 1.9) and 3) amounting to Rs. 285.58 lakhs, stock of raw material (including stock considered in WIP and FG are valued, based on the purchase order rates which are periodically updated in the inventory software. However, we observed many items, rates for which were not updated in the inventory software, thereby valuing the respective stock items as nil. These were later regularised manually based on the PO's available. Owing to the nature of the Company's records and in the absence of sufficient appropriate audit evidence, we are unable to ascertain if there is a departure from the weighted average cost method of valuation followed by the Company. We are also unable to ascertain its consequent impact, if any, on the Ind AS consolidated financial statements.



- b) With regards to provision for non-moving inventory as stated in Note No.3) amounting to Rs.62.08 lakhs, the Company has relied on the report generated from the inventory software, however as discussed in the above paragraph, even in this report, the rates have not been updated against many stock items. Accordingly, the value of non-moving inventory is understated, consequently affecting the provision for non-moving inventory and thereby profit of the Company. The effects on the Ind AS consolidated financial statements is not ascertainable.

2. Tractor Business Group, Pinjore of the Holding Company:

- a) The unit has sought confirmations of most of Trade Receivables, Trade Payables, Loans & Advances, although Balances are subject to confirmation and reconciliation if any.
- b) The amount outstanding Rs.132.24 lakhs with respect to provision for contingent liability for the interest payable on additional demand of CST demand. It is the case of statutory due pending for more than 6 months. The unit has availed the government scheme i.e., onetime settlement scheme during the year FY 17-18 by depositing the 10% of interest component amounting Rs. 13.22 lakhs.
- c) As per Ind AS - 19 requirement, the unit has not obtained actuarial valuation with respect to provident fund.

3 Corporate Head Office of the Holding Company:

- a) The Holding Company contributes provident fund to its employees to a provident fund trust which is a defined benefit plan as specified in the Ind AS – 19 “Employee Benefits”. MTL has not obtained the actuarial valuation from an independent actuary. Effect on the financial statements is not ascertained.
- b) The Holding Company is in the process of obtaining the confirmation of balances from the parties with whom it has transactions. The effect on the revenue is not ascertained.

4 HMT Machine Tools Limited (“MTL”):

- a) MTL contributes provident fund to its employees to a provident fund trust which is a defined benefit plan as specified in the Ind AS – 19 “Employee Benefits”. MTL has not obtained the actuarial valuation from an independent actuary. Effect on the financial statements is not ascertained.
- b) The Pinjore Unit of MTL has not written off the material in transit amounting to Rs.76.57 lakhs which is lying in custom house as informed by the management since 1998-99 to 2001-02. However, the unit has made the provision against the same of Rs.76.57 Lakhs. The unit has not obtained any confirmation from customs department whether material is lying in custom house or not. Therefore, there is no certainty that material will come to unit and accordingly, this material in transit should be write off and provision related to same also reversed back. Further, MTL



has not made any provision for demurrages, interest and warehouse rent on the material in transit without any communication from customs department. Total Liability against the above material in transit lying in the books as on 31.3.2017 is of Rs.109.08 lakhs for demurrages, interest and warehouse rent. The above expenses and provision should also be reversed.

- c) MTL has not made any provision for interest liability on the unpaid gratuity and provident fund amount to its retired employees, the impact cannot be quantified due to non-availability of required information.
- d) During the year a portion of the land used for "Roads" measuring approx. 4.25 acres have been acquired by Bruhat Bangalore Mahanagara Palika ("BBMP"). As per the court direction land compensation of Rs.18 crores has been fixed for the land @ 1.65 times the guidance value of land (fixed by the Government of Karnataka) at Rs.2.7 crores per acre. During the year BBMP has paid adhoc land compensation deposit of Rs.12 crores pending joint measurement and issue of correct dimension report (CDR). Since the land is not transferred to BBMP following procedure, the said land measuring 4.25 acres is continued to be shown as fixed assets, even though BBMP has taken over the possession of said land.

5. HMT International Limited ("HMTIL"):

HMTIL contributes provident fund to its employees to a provident fund trust which is a defined benefit plan as specified in the Ind AS – 19 "Employee Benefits". MTL has not obtained the actuarial valuation from an independent actuary. Effect on the financial statements is not ascertained.

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 31 March 2017 amounted to Rs.2,80,108.20 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 31 March 2017 is Rs.2,87,179.94/- lakhs against which the Fixed and current assets of Rs.7,720.75 lakhs.
- The contingent liabilities disclosed in the financial statements as at 31 March 2017 are Rs. 4,169.15 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) Depreciation on leasehold land and building in the case of Watch Marketing Division has been computed at 10% by applying straight line method rates of depreciation which is contrary to the rate specified in Schedule II of the Act. The impact of the same on the net loss of HWL and also on carrying cost of tangible assets is not ascertainable.
- d) The details of PPE with written down value of Rs.1 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) HWL has not identified, measured, quantified and disclosed the impairment of assets and its impact on the financial statements in line with the IND AS 36.
- f) 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.

- The Watch Marketing Division has not obtained confirmation of balances from the customs authorities in respect of watch components taken into custody by customs authorities and included in inventories valuing Rs. 67.12 lakhs.

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.

- g) As required by Part II, Schedule III of the Companies Act 2013, 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.
 - h) Finance cost includes interest on delayed payment of statutory dues instead of disclosing the same distinctly.
 - i) 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.
 - j) In watch marketing division, no provision towards warranty for products sold was made in the accounts. This is contrary to IND AS-37.
- ii) Disagreement with the Accounting Issues:**
- a) Other current liabilities include an amount of Rs.889.62 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) 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



- c) Fixed assets have been transferred from the Holding Company (HMT Ltd) to the company at the gross values, reserve for the depreciations and net values as on 01.04.2000 in accordance with the scheme of arrangement approved by the Department of the Company Affairs. The depreciation has been charged from the accounting year 2000-01 and onwards on the original cost of the assets on straight line basis, keeping in view the estimated life of the assets. Fixed assets should have been recorded at original cost to the company instead of historical cost to HMT Ltd. This has resulted in overstatement of gross block by Rs. 32.21 crores. Excess depreciation charged on such overstatement of gross block has not been quantified.
- d) During the year, HWL had sold through MSTC all the PPE other than the land and building and PPE of Ranibagh unit. In the absence of the proper PPE register we are unable to comment on the material discrepancy if any on the sale of PPE.
- e) There is no system of obtaining 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.
- f) Balances with banks in current account with scheduled banks relating to few of the show rooms amounting to Rs. 39.42 Lakhs and cash on hand amounting to Rs. 1.29 lakhs relating to Watch Marketing Division are disclosed as per books of accounts. However as per the bank statements of show rooms (other than Kolkata) the balance available is only Rs. 15.28 lakhs. We have not been provided proper explanation with regard to the cash balance of show rooms and deficiency in the bank balance and the same was not provided in the financial statements.
- g) Service tax liability under reverse charge mechanism has neither been ascertained nor provided for in the accounts.
- h) In the absence of age wise classification of Debtors made available to us, we are unable to express our opinion on adequacy of provisions towards trade receivables made up to 31.03.2017 amounting to Rs. 4,236.98 Lakhs.
- i) The details for interest on delayed payment statutory dues were not made available. The company has neither ascertained nor worked out the quantum of penal interest, penalties and damages towards default in remitting statutory dues.
- j) 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.

- k) 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.
- l) 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.
- m) No provision has been made for liabilities aggregating Rs. 3,177.85 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. 3,177.85 lakhs and corresponding understatement of current liabilities to that extent.
- n) 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 31 March 2016. As the distress warrant being in the nature of attachment of movable property towards the property tax, the fact regarding distress warrant has not been disclosed in the financial statements.
- o) 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.

Effect on all the above matters is not ascertainable on the financial statements of the Group.

7. HMT Chinar Watches Limited ("CWL"):

- a) The financial statements of CWL have been prepared on the basis of going concern assumption. However, as per the information & explanations furnished to us, the operations have been discontinued in an earlier year no provision has been made for possibility of claims and losses which CWL may face in future due to pending litigations against CWL. We are unable to express any independent opinion on the same.
- b) CWL has not obtained confirmation of balances from certain banks, trade payables, trade receivables and the parties with whom it has transactions. The effect on the revenue is not ascertained.



8. HMT Bearings Limited ("HBL"):

- a) Based on the directions of the Government of India, Ministry of Industry and Public Enterprises vide their letter dated January 13, 2016 directed HBL to close its operations. Accordingly, HBL has discontinued its operations during the year. However, the financial statements of HBL has been prepared on the going concern basis.
- b) HBL has not made any provision towards expected credit losses on its trade receivables as contemplated in Ind AS 109.
- c) HBL has not properly classified its trade receivables, current assets, loans and advances etc as current and non current.
- d) HBL has not disclosed information as required by Micro, Small and Medium Enterprises Development Act, 2006.

Effect on all the above are not ascertainable

Qualified Opinion:

In our opinion and to the best of our information and according to the explanations given to us and based on the reports received from the other subsidiary auditors, except for the matters described in the "Basis of our Qualified Opinion" 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 including the Ind AS, of the consolidated state of affairs (financial position) of the Company as at 31 March 2017, and its consolidated loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matter:

Attention of the members is invited to note 52 of the consolidated Ind AS financial statements regarding reasons for preparing these consolidated Ind AS financial statements of the Company on going concern basis, notwithstanding the fact that the net worth of the Group is completely eroded. The appropriateness of the said basis is interalia dependent on the Group'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 Holding Company in this respect.



Other Matters:

1. Incoming auditor to audit comparative information for adjustments to transition to Ind AS:

The comparative financial information of the Group for the year ended March 31, 2016 and the transition date opening balance sheet as at April 1, 2015 included in these consolidated Ind AS financial statements are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by the M/s Dokania S. Kumar & Co., Chartered Accountants whose report for the year ended March 31, 2016 and March 31, 2015 dated May 30, 2016 and July 7, 2015 respectively expressed an Qualified opinion on those consolidated financial statements, as adjusted for the differences in the accounting principles adopted by the Company on the transition to the Ind AS, to an extent identified and which have been audited by us.

2. We did not audit the financial statements of 5 subsidiaries whose financial statements reflect total assets of Rs.46,287.22 lakhs as at 31 March 2017, total revenues of Rs.25,711.63 Lakhs and net cash out flows amounting to Rs.24,190.92 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 the 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.
3. The holding company has not received financial statements of Gujarat State Machine Tools Limited for the year ended March 31, 2017, 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.
4. Audited financial statements of Sudmo HMT Process Engineers (India) Limited, a joint venture in which share of profit of the Group was Rs. 0.33 Lakhs has been considered for preparation of these Ind AS consolidated financial statements.



In respect of Holding Company and its units:

5. The Holding 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.
6. The Holding Company has made a provision for non-moving inventories amounting to Rs.553.82 lakhs based on the certificate furnished by the management and relied upon by the auditors of the respective units.
7. 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.183.68 lakhs towards due to Greater Hyderabad Municipal Corporation and Commercial Tax Officer, Hyderabad.
8. **In respect of Tractor Business Group, Pinjore, the branch auditor has commented the following:**
 - a) Balance in current maturities of VRS Loan from of India amounting to Rs.10,873.60 lakhs as reported in note 17 of the financial statements is reported based on the certificate given by the management.
 - b) The Unit has made a provision of Rs.5,883.39 lakhs for allowance of trade receivables, the Unit auditors have relied based on the certificate furnished by the management.
 - c) During the year, the Unit has made a provision for contingencies amounting to Rs.204.77 lakhs, the Unit auditors have relied based on the certificate furnished by the management.
 - d) During the 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
Modvat Recoverable of Hyderabad Division	7.26	Oustanding since 2005
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



9. In respect of Food Processing Machinery Division, Aurangabad ("the Unit") the branch auditor has commented the following:
- 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.285.58 lakhs.
 - Disclosure in respect of contingent liabilities has been furnished based on the information and representations received from the management.
10. In respect of HWL the statutory auditor has reported the following:
- The accounting of sale of PPE, stores, spares and components made during the year was not verified by us, in the absence of the necessary information and confirmation from third party.
 - HWL has not complied the following disclosures as per Ind AS:
 - Fair Value of recognition of financial assets and liabilities.
 - Deferred Tax Liability
 - Provision for expected credit loss on Trade Receivables.
 - Information relating to materials, stock written off and increase or decrease in value of finished goods has not been provided to us for verification and therefore we are unable to comment on the disclosure of the same in the financial statement.
 - Tumkur Unit of HWL has remitted Rs. 48.10 lakh in cash to employees as a part of final settlements which is in contrary to the generally accepted practice of the Company.
 - The accounting of the Loan from Government of India is as per Holding Company's directions which are not verified by the said auditor, in the absence of detailed workings made available.
 - HWL has not constituted an Audit Committee as required under the provisions of Section 177 of the Act. The Internal Audit Reports are not reviewed by the Management periodically and corrective action taken to report compliance to the Board.
 - HWL does not have a qualified Company Secretary as required under the provisions of Section 203 of the Act.

Report on Other Legal & Regulatory Requirements:

- As required by the section 143(3) of the Act, based on our audit and on the consideration of report of the auditors on the separate financial statements of a subsidiary companies and the joint venture of the Holding Company, we report to the extent applicable 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 paragraph and Other Matters 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 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. The Company has not obtained the actuarial valuation report in respect of Provident Fund Trusts and other matters are referred in Basis of Qualified Opinion paragraph and Other Matter paragraph, accordingly, in our opinion, the aforesaid Indian Accounting Standards ("Ind AS") consolidated financial statements don't comply with the Ind AS specified under section 133 of the Act.
- e. On the basis of the written representations received from the directors of the Holding Company as on March 31, 2017 taken on the record by the Board of Directors, none of the directors are disqualified as on that date from being appointed as a director in terms of section 164(2) of the Act.
- 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) As per the audit reports of **Holding Company & other subsidiaries except for HMT Watches** have disclosed its pending litigations which would impact its financial position in note 34 of the Ind AS consolidated financial statements.
 - ii) The Holding Company, MTL, HWL and CWL 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. In respect of HMT Bearings Limited, the auditor has reported that except for the possible effects of the matter described in the Basis for Adverse Opinion paragraphs above, the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
 - iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies, Joint Venture company incorporated in India.



- iv) The Holding Company has provided requisite disclosures in the consolidated financial statements as to holdings as well as dealings Specified Banking Notes during the period from November 8, 2016 to December 30, 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note-50 of the Ind AS consolidated financial statements.
2. **As required by Section 143 (5) of the Act, our submissions are as under:**
- a) We give in the “**Annexure-B**”, a statement on the compliance to Directions issued by the Comptroller and Audit General of India.
- b) We have not received any statement on the compliance to specific sub directions issued by the Principle Director, Commercial Audit and Ex-Officio Member, Audit Board, Hyderabad for financial year 2016-17.

For B.K.RAMADHYANI & CO LLP
Chartered Accountants
Firm Registration No. 0028785/S200021

C. R. Deepak
(CA C R Deepak)

Partner
Membership No. 215398

Place: New Delhi
Date: August 29, 2017

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE- 560 055

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, 2017 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 timely basis.

In respect of Common Services Division, Bangalore:

The branch auditor has reported that, in all material aspects internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, 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 Institute of Chartered Accountants of India.

In respect of Corporate Head Officer, Bangalore and Tractor Division, Pinjore:

The system of internal financial controls over financial reporting with respect of Tractor Division, Pinjore 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 31 March 2017.

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.

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

Framework for internal financial control over financial reporting not established but does not impact the audit opinion on financial statements.

According to the information and explanation given to us, the company has not established its internal financial control over financial reporting on criteria based on or 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. Because of this reason, we are unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion whether the Company had adequate internal



financial controls over financial reporting and whether such internal financial controls were operating effectively as at March 31, 2017.

We have considered the disclaimer reported above in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements of the Company, and the disclaimer does not affect our opinion on the standalone financial statements of the Company.

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, 2017, 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.

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, 2017, 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, 2017.

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, 2017.

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 qualified 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, 2017, 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: August 29, 2017

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE- 560 055

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 2016 – 2017 ISSUED BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 143 (5) OF THE COMPANIES ACT, 2013

A. In respect of Holding Company:

Sl. No.	Directions	Audit Observations
1.	If the Company has been selected for disinvestment, a complete statue report in terms of valuation of Assets (including intangible assets and land) and Liabilities (including Committed & General Reserves) may be examined including the mode and present stage of disinvestment process.	The Company has not been selected for disinvestment.
2.	Please report whether there are any cases of waiver/write off debts/loans/interest etc., if yes the reasons there for and the amount involved.	Based on the information and explanations furnished to us by the Company, there are no cases of waiver/ written off of loans interest etc. given by the Company. However, the Company has made a provision of Rs.40.85 lakhs for obsolescence for inventories, Rs.1,034.85 lakhs for trade receivables, Rs.9.1 lakhs for loans & advances and Rs.4,395.87 lakhs for investments.
3.	Whether the Proper records are maintained for inventories lying with the third parties & assets as gift from Govt. or other authorities	No inventories are maintained at CHO Level. Proper records have been maintained for the assets received from Govt. or other authorities. As per the report of branch auditors, proper records have been maintained for inventories lying with the third parties and assets received as gift from Govt. or other authorities.
4.	A report on age-wise analysis of pending legal/arbitration cases including the reasons for pendency and existence /effectiveness of a monitoring mechanism for expenditure on all legal cases (foreign and local) may be given	The age wise analysis of pending legal/arbitration cases of other units and CHO Level are enclosed in 'Annexure C-1'



Annexure 'C-1' to the Annexure 'C' of the Independent Auditor's Report

The Annexure referred to in Annexure 'C' to our Independent Auditor's Report to the members of the Company on the Ind AS standalone financial statements for the year ended 31 March 2017:

As per the Audit Report of Food Processing Machinery Unit:

Year of Lodgment	Case No.	No. of Cases	Reason for pendency
2002	56/02	1	As a result of legal process
2002	272/02	1	As a result of legal process
2010	115/10	1	As a result of legal process
2012	WP21063/2012	1	As a result of legal process
2012	306/2012	1	As a result of legal process
2016	103/2016 CRA/2176 3/2016	3	As a result of legal process

As per the Audit report of Tractor Division, Pinjore:

Year of lodgment	No. of Cases	Reasons for pendency
2016-17	33	Not provided by branch auditor
2015-16	5	Not provided by branch auditor
2014-15	8	Not provided by branch auditor
2013-14	24	Not provided by branch auditor
Prior to 2013-14	111	Not provided by branch auditor

As per the Audit report of Common Services Division:

Sl.No.	Case reference	Description of the case
1.	CS 4916/2004	Suit filed by IOC for recovery of Rs.27,72,804 from HMT Ltd
2.	No. 214/2006	No work to the Ex Auditorium employees. Hence they have filed petition u/s 33 of ID Act. Culminated in ref no. 214/2006
3.	MA 51/2013	Eviction proceedings challenged by the employee



4.	MA 50/2013	Eviction proceedings challenged by the employee
5.	2011	After closing HMT Co-operative Society, not handed over premises
6.	CA 387/2013	M/s NTR Khan Associates has filed case for revival of winding petition for violation of terms of joint memo
7.	WA 4152/09 arising out of WP No. 4166/08	GOK filed a written appeal High Court Judgment vide WP No. 4166 in which we challenged the retrospective amendment to MA Act and claimed refund of Rs. 1.18 crores
8.	WP No. 58755/13	The petitioner has challenged against, 1. Eviction order passed by estate office 2. To set aside city court order of 18.11.2013
9.	WP No. 56045 & 56046 of 2015	The petitioner have challenged a notice connected to eviction proceedings of two Ex-employees for Non- payment of rental dues
10.	OS No 5102 To 5117	Suit filed for permanent injunction against HMT and not to interfere peaceful position and enjoyment
11.	WP 38419 to 38428 & 46844	Challenging the O/o no 06 dtd 13.6.2016

In respect of Corporate Head Office:

Year/ Date of Lodgment	No. of Cases	Reason for pendency
25.06.2012	1	Stay granted and Matter is due with High Court Bangalore against M/s Mallige Estate (P) Ltd for Land taxes
Not Available	1	Case against LIC in Delhi is pending. No record is available for our verification.

A. In respect of subsidiaries.

1. **Whether the Company has clear title/ lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title/ lease deeds are not available?**

HMT Machine Tools Limited

The title deeds of the immovable properties of the MTL is in the name of the Holding Company.

In respect of Ajmer Unit, pending finalisation of the rates by the Government of Rajasthan, lease deed for the immovable property in favour of MTL is yet to be executed.



HMT Bearings Limited	No report furnished by the auditor
HMT Watches Limited	No report furnished by the auditor
HMT Chinar Watches Limited	No report furnished by the auditor
HMT International Limited	No adverse comments

2. Whether there are any cases of waiver/ write off of debts/ loans/ interest etc. If yes, the reasons there for and involved:

HMT Machine Tools Limited	No adverse comments
HMT Bearings Limited	No report furnished by the auditor
HMT Watches Limited	No report furnished by the auditor
HMT Chinar Watches Limited	No report furnished by the auditor
HMT International Limited	No adverse comments

3. Whether the Proper records are maintained for inventories lying with the third parties & assets as gift from Govt. or other authorities

HMT Machine Tools Limited	No advance comments other than those reported in 1. above.
HMT Bearings Limited	No report furnished by the auditor
HMT Watches Limited	No report furnished by the auditor
HMT Chinar Watches Limited	The auditor has reported that inventory records are maintained on computer as well as manual but the same has not been updated properly.
HMT International Limited	No adverse comments.



HMT LIMITED
(STANDALONE)

Statement of Impact of Audit qualification (for Audit Report with modified opinion) submitted
Along-with Annual Financial Results - (Standalone and Consolidated separately)

Statement of Impact of Audit Qualifications for the Financial Year ended March 31, 2017 [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)	1043.00	1043.00
	2.	Total Expenditure (Rs. in Lakhs)	6693.48	6693.48
	3.	Net Profit / (Loss) (Rs. in Lakhs)	(23949.20)	(23949.20)
	4.	Earnings Per Share (in Rs.)	(1.99)	(1.99)
	5.	Total Assets (Rs. in Lakhs)	92817.95	92817.95
	6.	Total Liabilities (Rs. in Lakhs)	72288.09	72288.09
	7.	Net Worth (Rs. in Lakhs)	20529.86	20529.86
	8.	Any other financial item (s) (as felt appropriate by the Management)		
ii	Audit Qualification (each audit qualification separately):			
	a.	Details of Audit Qualification : As per enclosure		
	b.	Type of Audit Qualification : Qualified Opinion As per enclosure		
	c.	Frequency of Qualification : As per enclosure		
	d.	For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views :		
	e.	For Audit Qualification(s) where the impact is not quantified by the auditor:		
		(i) Management's estimation on the impact of Audit Qualification:		
		(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	<i>C. R. Bapat</i>	
	•	CFO	<i>B. S. Bhat</i>	
		Audit Committee Chairman	<i>K. S. Bhat</i>	
		Statutory Auditor	<i>C. R. Bapat</i>	
		Place : Bangalore		
		Date :		



**HMT LIMITED
(CONSOLIDATED)**

**Statement of Impact of Audit qualification (for Audit Report with modified opinion) submitted
Along-with Annual Financial Results - (Standalone and Consolidated separately)**

Statement of Impact of Audit Qualifications for the Financial Year ended March 31, 2017 [See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations, 2016]				
1	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)	21535.91	21535.91
	2.	Total Expenditure (Rs. in Lakhs)	43041.31	43041.31
	3.	Net Profit / (Loss) (Rs. in Lakhs)	(54403.37)	(54403.37)
	4.	Earnings Per Share (in Rs.)	(4.52)	(4.52)
	5.	Total Assets (Rs. in Lakhs)	66538.57	66538.57
	6.	Total Liabilities (Rs. in Lakhs)	536098.76	536098.76
	7.	Net Worth (Rs. in Lakhs)	(469560.19)	(469560.19)
	8.	Any other financial item (s) (as felt appropriate by the Management)	-	-
ii Audit Qualification (each audit qualification separately):				
a. Details of Audit Qualification : As per enclosure				
b. Type of Audit Qualification : Qualified Opinion As per enclosure				
c. Frequency of Qualification : As per enclosure				
d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views :				
e. For Audit Qualification(s) where the impact is not quantified by the auditor:				
(i) Management's estimation on the impact of Audit Qualification:				
(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	<i>C. R. Reddy</i>	
		• CFO	<i>[Signature]</i>	
		• Audit Committee Chairman	<i>[Signature]</i>	
		• Statutory Auditor	<i>C. R. Reddy</i>	
		Place : Bangalore		
		Date :		



HMT Limited

Audit Observations	Management Reply	Frequency of Qualification
<p><u>Food Processing Machinery Division, Aurangabad</u></p> <p>a) As per information and explanation given to us with regards to the valuation of inventory as stated in Note No. 1.9) and 3) amounting to Rs. 285.58 lakhs, stock of raw material (including stock considered in WIP and FG are valued, based on the purchase order rates which are periodically updated in the inventory software. However, we observed many items, rates for which were not updated in the inventory software, thereby valuing the respective stock items as nil. These were later regularised manually based on the PO's available. Owing to the nature of the Company's records and in the absence of sufficient appropriate audit evidence, we are unable to ascertain if there is a departure from the weighted average cost method of valuation followed by the Company. We are also unable to ascertain its consequent impact, if any, on the Ind AS standalone financial statements.</p> <p>b) With regards to provision for non-moving inventory as stated in Note No.3) amounting to Rs.62.08 lakhs, the Company has relied on the report generated from the inventory software, however as discussed in the above paragraph, even in this report, the rates have not been updated against many stock items. Accordingly, the value of non-moving inventory is understated, consequently affecting the provision for non-moving inventory and thereby profit of the Company. The effects on the Ind AS standalone financial statements is not ascertainable.</p>	<p>The Inventory valuation is done as per Company's Accounting Policy.</p> <p>WIP is valued as per work completed likewise Finished Goods are valued as per cost of goods manufactured & sold. There is no Purchase Orders rates consideration in the valuation.</p> <p>We would like to inform that we have updated at later date valuation for those items which were procured in earlier periods and No rates were available at the time of valuation is done as per weighted average cost method only.</p> <p>As already explained above, we have updated inventory rates which were procured 3 to 4 years earlier periods and rates were not available due to switchover to other software program we then updated such items which were not valued earlier before audit.</p> <p>We confirm that the inventory valuation at later dates has been updated in presence of Statutory Auditor and there is no under valuation as per our estimation and no understatement of profit.</p>	<p>First Time</p> <p>First Time</p>



<u>Tractor Business Group, Pinjore (including Hyderabad Assembly Project & Mohali unit).</u>		
a) The unit has sought confirmations of most of Trade Receivables, Trade Payables, Loans & Advances, although Balances are subject to confirmation and reconciliation if any.	a) As per system in vogue Unit has already sought confirmations as per mentioned in audit observations. The confirmation is directly sought in the name of Unit's Statutory auditors. However, consequent upon the closure of operations of Tractor Business Group the final settlement is already under process which is being done only after completely reconciling the dues and the same confirmed by both HMT and party.	Repetitive
b) The amount outstanding Rs.132.24 lakhs with respect to provision for contingent liability for the interest payable on additional demand of CST demand. It is the case of statutory due pending for more than 6 months. The unit has availed the government scheme i.e., onetime settlement scheme during the year FY 17-18 by depositing the 10% of interest component amounting Rs. 13.22 lakhs.	b) The amount mentioned in audit observation pertain to old interest demand for which appropriate provision has already been created in earlier financial years under the head "Provision for Contingencies". During financial year 2017-18 the Unit has already settled the above demand by paying 10% of the demanded amount in line with Special one time amnesty scheme launched by Haryana Govt. and appropriate accounting treatment has also been done during financial year 2017-18 in the books of accounts and hence there is no such liability as on date.	First time
c) As per Ind AS requirement, the unit has not obtained actuarial valuation with respect to provident fund	c) The Unit is running Provident Fund Trust which is common for the employees of both Tractor Division and HMT Machine Tools Ltd., Pinjore due to which it has not been possible to obtain the actuarial valuation inspite of repeated efforts as mentioned in audit observations. However, consequent upon the closure of operations of Tractor Division, Pinjore the Provident Fund Trust is already under the process of final settlement of separated employees PF claims.	Repetitive



<u>Corporate Head Office, Bangalore</u>		
<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 has not obtained the actuarial valuation report and accounted for employer's contribution.</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, the 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 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 out efforts are being made to compile the required information for the purpose of a actuarial valuation.</p>	<p>First time</p>
<p>b) The Company is in the process of obtaining the confirmation of balances from the parties with whom it has transactions. The effect on the revenue is not ascertained</p>	<p>CHO is reviewing the party wise balances periodically and majority of the creditors are towards General Expenses. In view of the above, there is no effect on the revenue.</p>	<p>First time</p>



HMT Machine Tools Ltd

Audit Observations	Management Reply	Frequency of Qualification
<p>a) MTL contributes provident fund to its employees to a provident fund trust which is a defined benefit plan as specified in the Ind AS – 19 “Employee Benefits”. MTL has not obtained the actuarial valuation from an independent actuary. Effect on the financial statements is not ascertained.</p>	<p>The Employees provident fund is provided for, under a defined benefit scheme. The contributions are made to the Trust administered by the Company. Any interest shortfall suffered by the Trust on account of delayed remittance of PF dues has been made good by the company and there is no instance of denial of PF benefits to the employees.</p>	Repetitive
<p>b) The Pinjore Unit of MTL has not written off the material in transit amounting to Rs.76.57 lakhs which is lying in custom house as informed by the management since 1998-99 to 2001-02. However, the unit has made the provision against the same of Rs.76.57 Lakhs. The unit has not obtained any confirmation from customs department whether material is lying in custom house or not. Therefore, there is no certainty that material will come to unit and accordingly, this material in transit should be write off and provision related to same also reversed back. Further, MTL has not made any provision for demurrages, interest and warehouse rent on the material in transit without any communication from customs department. Total Liability against the above material in transit lying in the books as on 31.3.2017 is of Rs.109.08 lakhs for demurrages, interest and warehouse rent. The above expenses and provision should also be reversed.</p>	<p>The Company has already considered the financial impact in its books of accounts. The same has been taken up by the management for further action during the F.Y 2017-18.</p>	First Time



<p>c. MTL has not made any provision for interest liability on the unpaid gratuity and provident fund amount to its retired employees, the impact cannot be quantified due to non-availability of required information.</p>	<p>The same would be quantified and provided for during the F.Y 2017-18 on competent authority's approval.</p>	<p>First Time</p>
<p>d. During the year a portion of the land used for "Roads" measuring approx. 4.25 acres have been acquired by Bruhat Bangalore Mahanagara Palika ("BBMP"). As per the court direction land compensation of Rs.18 crores has been fixed for the land @ 1.65 times the guidance value of land (fixed by the Government of Karnataka) at Rs.2.7 crores per acre. During the year BBMP has paid adhoc land compensation deposit of Rs.12 crores pending joint measurement and issue of correct dimension report (CDR). Since the land is not transferred to BBMP following procedure, the said land measuring 4.25 acres is continued to be shown as fixed assets, even though BBMP has taken over the possession of said land.</p>	<p>As the joint measurement, Correct dimension report and legal procedures are pending as on 31-03-2017 the same has been shown under Fixed Assets. The appropriate financial impact on sale of Land would be considered based on completion of the above.</p>	<p>First Time</p>



HMT International Limited

Audit Observations	Management Reply	Frequency of Qualification
<p>HMTIL contributes provident fund to its employees to a provident fund trust which is a defined benefit plan as specified in the Ind AS – 19 “Employee Benefits”. MTL has not obtained the actuarial valuation from an independent actuary. Effect on the financial statements is not ascertained.</p>	<p>As per the Accounting Policy of the Company, “Provident Fund is provided for, under a defined benefit scheme. The contributions are made to the Trust “HMT CORPORATE & MARKETING DIVN.PF” administered by the Company”</p> <p>In this connection the exempted establishment is managing HMT Ltd. Holding Company and its related Subsidiaries including HMT(International)Ltd.</p> <p>In view of this HMT(I)LTD couldn't obtain Acturial Valuation on its own as the same is maintained along with other Subsidiaries.</p>	<p>Repetitive</p>

HMT WATCHES LIMITED

Audit Observations	Management Reply	Frequency of Qualification
<p>a) <u>Going Concern Concept:</u></p> <p>i) The Board of Directors in its 72nd board meeting held as on 18.01.2016 has decided to close down the company after getting the approval from cabinet committee of Economic Affairs.</p> <p>ii)The accumulated losses of the company as at the close of 31st March 2017 amounted to Rs.2,80,108.20 lakhs against which the paid up capital of the company is Rs.649.01 lakhs and the losses has totally eroded the net worth of the company.</p>	<p>The Company is a subsidiary of HMT Limited. The financial statements have been prepared as per the IND AS of ICAI as a going concern concept.</p>	<p>Repetitive</p>



<p>iii) The company has been incurring continues operating losses for the past many years.</p> <p>iv)The total liabilities of the company as at the close of 31st March 2017 is Rs.2,87,179.94/- lakhs against which the Fixed and current assets are only Rs.7,720.75 lakhs.</p> <p>v) The contingent liabilities disclosed in the financial statements are Rs. 4,169.15/- 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.</p> <p>vi) Consequent to the decision of closing down the Company, the Company has sold all the fixed assets other than the immovable properties and fixed assets of Ranibagh Unit. In respect of immovable property other than Ranibagh Unit, the Company is in the process of transferring the assets.</p>	<p>However 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. We have relieved all employees except 146 employees at HMT Watch Factory, Ranibagh and approached the Hon'ble High Court of Uttarakhand.</p>	<p>Repetitive</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 the company 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>We have appointed the practicing chartered Accountant firms as Internal auditors. There are no major discrepancies are reported by the internal auditors . The classifications in the accounting are rectified during the same financial year</p>	<p>Repetitive</p>
<p>c) Depreciation on leasehold land and building in the case of Watch Marketing Division has been computed at 10% by applying straight line method rates of depreciation which is contrary to the rate specified in Schedule II of Company</p>	<p>All the fixed assets are at nominal value and fully depreciated.</p>	<p>First Time</p> <p>Repetitive</p>



<p>Act 2013. The impact of the same on the net loss of the company and also on carrying cost of tangible assets is not ascertainable.</p>	<p>As the Company is under closure, depreciation for the year 2016-17 not considered.</p>	
<p>d) The details for fixed assets 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>CCEA directed the Company to close all activities. Hence, we are selling all the machineries through MSTC. There is no point of indentifying the active use of the machine as Company considered all the machines are not in use. All the inventories are valued on cost basis.</p>	<p>First Time</p>
<p>e) The company has not identified, measured, quantified and disclosed the impairment of assets and its impact on the current financial statements in line with the IND AS 36.</p>	<p>All the materials of WFB, WFT and GWH transferred to WMD and got it valued from the independent valuator. The proper records are maintained and reconciled with the physical verification statement.</p>	<p>First Time</p>
<p>f) Valuation of inventories not being in accordance with the IND AS 2 - Valuation of Inventories due to:</p>	<p>The valuation of WIP is at cost only as there is no MRP/NRV. We are not selling the WIP.</p>	<p>Repetitive</p>
<p>i) During the year under review the Company had conducted physical verification of raw materials, work in progress and finished goods 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>	<p>The Company made Rs. 7.11 crore out of the inventories of Rs . 12.57 crore.</p>	<p>Repetitive</p>
<p>ii) In watch factory Ranibagh the work in progress is valued at cost instead of cost or NRV whichever is less.</p>	<p>The materials are with Customs authorities and penalty imposed has been contested and the same will be considered as and when the matter is settled and materials released.</p>	<p>Repetitive</p>
<p>iii) Individual details of slow/non moving goods and obsolete inventories were not made available to us. In Watch Factory Ranibagh no provision was made towards non moving/slow moving inventory which is contrary to the Accounting policy of the Company. Accordingly, we are unable to comment on adequacy of such provisions made in the accounts.</p>	<p>iv) No provision for additional duty redemption fine and penalty of Rs.150.00 lakhs was made in the accounts relating to watch components</p>	



<p>valued at Rs. 343.30 lakhs taken into custody by the Customs authorities in the earlier years in Watch Factory, Ranibagh.</p> <p>v) The Watch Marketing Division has not obtained confirmation of balances from the customs authorities in respect of watch components taken into custody by customs authorities and included in inventories valuing Rs. 67.12 lakhs.</p> <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>g) As required by Part II, Schedule III of the Companies Act 2013, 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>h) Finance cost includes interest on delayed payment of statutory dues instead of disclosing the same distinctly.</p> <p>i)The company has not made provision for liability towards the interest payable under micro- small and medium enterprises development act 2006, if any, in the accounts. The impact of non provision for such interest on the financial results of the company if 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.</p>	<p>As we are shifting all the materials from GWH we have requested Customs Authority for confirmation. Reply is awaiting from Customs Authority.</p> <p>All the inventories of WFB, WFT & WMD are valued by independent valuator. AT WFR inventories of value considered as per the 2015-16.</p> <p>The annual accounts are prepared by considering the quantum of transaction.</p> <p>The transactions will be reviewed and after obtaining the competent authorities approval , the necessary entries will be incorporated in the books of accounts</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> <p>Repetitive</p>
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j) In watch marketing division, no provision towards warranty for products sold was made in the accounts contrary to Ind AS - 37

II) Disagreement on accounting issues

a) Other current liabilities include a sum of Rs. 889.62 Lakhs relating to advances received against sale of land including buildings. The company has executed an agreement to sale 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 under fixed assets though there are not future economic benefits flowing to the company and the possession is already given to the buyer. The consequential impact on the losses, carrying amount of the fixed assets, depreciation and taxes are not ascertainable.

b) 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

c) Fixed assets have been transferred from the Holding Company (HMT Ltd) to the company at the gross values, reserve for the depreciations and net values as on 01.04.2000 in accordance with the scheme of arrangement approved by the Department of the Company Affairs. The depreciation has been charged from the accounting year 2000-01 and onwards on the original cost of the assets on straight line basis, keeping in view the estimated life of the assets. Fixed assets should have been recorded at original cost to the company instead of historical cost to HMT Ltd.

The Company is of the opinion that existing provision is sufficient to take care of the same.

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.

The party do not have documents and documents which are produced are found in the court are not genuine, Hence, there no need to make any provision in the books of account

This is as per the Scheme of Arrangement by the Holding Company and accounting entries made accordingly.

Repetitive

Repetitive



<p>This has resulted in overstatement of gross block by Rs. 32.21 crores. Excess depreciation charged on such overstatement of gross block has not been quantified. Effect of the same on the overstatement of losses and understatement of net block of the assets are not ascertainable.</p>		<p>First Time</p>
<p>d) During the year the Company had sold through MSTC all the fixed assets other than the land and building and fixed assets of Ranibagh. In the absence of the proper fixed asset register are subject to reconciliation from MSTC. We are unable to comment on the material discrepancy if any on the sale of fixed asset and impact on the financial result of the Company.</p>	<p>We have received the Certificate from MSTC stating that the total sales and the amounts remitted to the company.</p>	<p>Repetitive</p>
<p>e) There is no system of obtaining 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 are pertaining prior to the period of 2005. We have made provision for all the trade receivables. However is to be noted that all the parties are under litigation and with the court cases.</p>	<p>First Time</p>
<p>f) Balances with banks in current account with scheduled banks relating to few of the show rooms amounting to Rs. 39.42 Lakhs and cash on hand amounting to Rs. 1.29 lakhs relating to Watch Marketing Division are disclosed as per books of accounts. However as per the bank statements of show rooms (other than Kolkata) the balance available is only Rs. 15.28 lakhs. We have not been provided reconciliation statement proper explanation with regard to the cash balance of show</p>	<p>Due to VRS all the employees are relieved. These amounts are transferred to the Banks at Bangalore and might have mixed with sales or accounted as unspecified credit. The detailed working will be submitted in due course.</p>	<p>First Time Repetitive</p>



<p>rooms and deficiency in the bank balance and the same was not provided in the financial statements.</p>		
<p>g) Service tax liability under reverse charge mechanism has neither been ascertained nor provided for in the accounts. Impact of the same on the Net Loss of the Company is not ascertainable.</p>	<p>All the payments are made on account basis. We will take necessary action at the time of final settlement made to the party.</p>	<p>First Time</p>
<p>h) In the absence of age wise classification of Debtors made available to us, we are unable to express our opinion on adequacy of provisions towards trade receivables made up to 31.03.2017 amounting to Rs. 4,236.98 Lakhs.</p>	<p>Provision towards doubtful debts has been made as per the policy and such estimated provision is on the same basis as in the earlier years.</p>	<p>First Time</p>
<p>i) The details for interest on delayed payment statutory dues were not made available. The company has neither ascertained nor worked out the quantum of penal interest, penalties and damages towards default in remitting statutory dues. In the absence of such details, we are unable to express our opinion on adequacy of provision towards interest on delayed payment and its impact on financial statements.</p>	<p>The interest on delayed payment of statutory dues are worked out and accounted under the finance cost.</p>	<p>Repetitive</p>
<p>j) 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 Hon'ble 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. Impact on financial statements is not ascertainable.</p>	<p>The case is pending with Honorable HIGH COURT</p>	<p>Repetitive</p>



<p>k) 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 parties(trade receivables) are gone to court for settlement of the dues to the company. This amounts will adjusted to wards dues from the parties.</p>	<p>Repetitive</p>
<p>l) 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>This transaction will be verified during 2017-18 and accounted.</p>	<p>Repetitive</p>
<p>m) No provision has been made for liabilities aggregating Rs. 3,177.85 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. 3,177.85 lakhs and corresponding understatement of current liabilities to that extent.</p>	<p>The party has no documents and the documents which are produced are found in the court are not genuine. There is no need to made any provision in the books of accounts</p>	<p>Repetitive</p>
<p>n) In pursuant to distress warrant dated 23-12-2011 issued by Bangalore Mahanagara Palike 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 31st March 2016.</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</p>	<p>Repetitive</p>
<p>o) One of the creditors of the company 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 the company.</p>	<p>We have made one time settlement with BBMP. Awaiting the final order.</p>	<p>Repetitive</p>



HMT Chinar Watches Limited

Audit Observations	Management Reply	Frequency of Qualification
<p>a) The financial statements of CWL have been prepared on the basis of going concern assumption. However, as per the information & explanations furnished to us, the operations have been discontinued in an earlier year no provision has been made for possibility of claims and losses which CWL may face in future due to pending litigations against CWL. We are unable to express any independent opinion on the same.</p>	<p>The Company is a subsidiary of HMT Limited. The financial statements have been prepared as per the IND AS of ICAI as a going concern concept.</p>	Repetitive
<p>b) CWL has not obtained confirmation of balances from certain banks, trade payables, trade receivables and the parties with whom it has transactions. The effect on the revenue is not ascertained.</p>	<p>The Company has initiated the action to obtain the same effect on revenue not ascertained</p>	Repetitive



HMT Bearings Limited

Audit Observations	Management Reply	Frequency of Qualification
a) Based on the directions of the Government of India, Ministry of Industry and Public Enterprises vide their letter dated January 13, 2016 directed HBL to close its operations. Accordingly, HBL has discontinued its operations during the year. However, the financial statements of HBL has been prepared on the going concern basis.	The Company is a subsidiary of HMT Limited. The financial statements have been prepared as per the IND AS of ICAI as a going concern concept.	Repetitive
b) The Company has not made any provision towards expected credit losses on its trade receivables as contemplated in Ind AS 109.	The Company has initiated the process. However, due to closure of operations in the opinion of the management such provision is not required.	First time
c) HBL has not properly classified its trade receivables, current assets, loans and advances etc as current and non current.	The Company is under closure process and it is considered appropriate not to classify receivables as the same needs to be realised with immediate effect.	First Time
d) HBL has not disclosed information as required by Micro, Small and Medium Enterprises Development Act, 2006.	As per the data / information available with the company, the Vendors are not MSME Certified/ Registered	First Time

