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**एच एम टी लिमिटेड**

(भारत सरकार का उपक्रम)

एच एम टी भवन,

59, बेल्लारी रोड,

बेंगलोर - 560 032, भारत

फोन : 91-60-23330333

फैक्स : 91-80-23339111

ई-मेल : cho@hmtindia.com

वेब साईट : www.hmtindia.com

**hmt**

**HMT LIMITED**

(A Govt. of India Undertaking)

**HMT BHAVAN**

59, Bellary Road,

Bangalore - 560 032, INDIA

Phone: 91-80-23330333

Fax: 91-80-23339111

E-mail: cho@hmtindia.com

Website: www.hmtindia.com

सी आई एन CIN : U29230KA1953PTC000748

पंजीकृत कार्यालय : 59, बेल्लारी रोड, बेंगलोर - 560 032, भारत  
Registered Office : 59, Bellary Road, Bangalore - 560 032, INDIA

Secl. S-13

June 19, 2018

Bombay Stock Exchange Limited  
Phiroze Jeejeebhoy Towers  
25<sup>th</sup> Floor, Dalal Street  
Mumbai - 400 001

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

Dear Sir,

**Sub: Audited Financial Results (Standalone/Consolidated) for the year ended 31.03.2018**

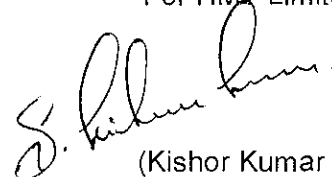
We are enclosing herewith

1. Audited Financial Results (Standalone & Consolidated) for the quarter and year ended 31.03.2018
2. Standalone & Consolidated Audit Reports for the period ended March 31, 2018.
3. Statement of Impact of Audit qualification with reply (for audit report with modified opinion)

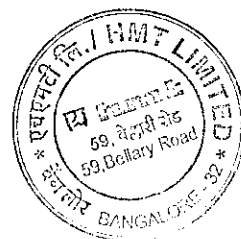
This is for your information and records.

Yours faithfully

For HMT Limited

  
(Kishor Kumar S)  
Asst. Company Secretary

HMT LIMITED								
No.59, Bellary Road, Bangalore - 560 032								
STATEMENT OF STANDALONE AND CONSOLIDATED AUDITED FINANCIAL RESULTS								
FOR THE QUARTER AND YEAR ENDED 31ST MARCH 2018								
(Rs in lakhs)								
	Particulars	Standalone				Consolidated		
		Three months ended		Year ended		Year ended		
		March 31, 2018	December 31, 2017	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
		Audited*	Unaudited	Audited	Audited*	Audited	Audited*	Audited
1	<b>CONTINUING OPERATIONS</b>							
1	Revenue from Operations	730	394	361	1480	1043	20241	21536
2	Other Income	615	420	343	1730	1103	4812	4184
	<b>Total Income</b>	<b>1345</b>	<b>814</b>	<b>704</b>	<b>3210</b>	<b>2146</b>	<b>25053</b>	<b>25720</b>
3	<b>Expenses</b>							
	a) Cost of materials consumed	198	73	83	414	267	7018	8096
	b) Purchase of Stock in Trade	(19)			405		1503	204
	c) Changes in Inventories (Increase)/decrease in SIT/WIP	14	134	(42)	(304)	7	(440)	1592
	d) Excise Duty	0	(22)	6	3	29	828	2091
	e) Changes in Excise Duty on (increase)/decrease in Fin. Goods	1		2	1	2	426	(98)
	f) Employee benefits expense	430	249	236	1194	1026	14519	14450
	g) Depreciation and amortisation expense	8	6	15	25	32	1010	1055
	h) Finance Costs	46	48	57	212	288	6032	5591
	i) Other expenses	297	271	4739	894	5042	6003	10060
	<b>Total expenses</b>	<b>975</b>	<b>759</b>	<b>5096</b>	<b>2844</b>	<b>6693</b>	<b>36899</b>	<b>43041</b>
4	Profit/(Loss) before Share of Investment in Associate & Joint Venture, Exceptional items & Tax from Continuing Operations	370	55	(4392)	366	(4547)	(11846)	(17321)
5a	Share of Profit/(Loss) of an Associate & Joint venture	-	-	-	-	-	-	-
5b	Exceptional Items	0		531		531		531
6	Profit/(Loss) before Tax	370	55	(3861)	366	(4016)	(11846)	(16790)
7	Tax Expense	0		(1861)	0	(1861)	(13)	(1842)
8	Profit/(Loss) for the period from Continuing Operations	370	55	(2000)	366	(2155)	(11833)	(14948)
9	<b>DISCONTINUED OPERATIONS</b>							
9	Profit/(Loss) for the period from Discontinued Operations	(1377)	380	(9139)	(1083)	(21794)	(3288)	(39455)
10	Tax income/(Expense) of Discontinued Operations							
11	Profit/(Loss) from Discontinued Operations	(1377)	380	(9139)	(1083)	(21794)	(3288)	(39455)
12	Profit/(Loss) for the period	(1007)	435	(11139)	(717)	(23949)	(15121)	(54403)
13	<b>Other Comprehensive Income</b>							
	i) Items that will not be reclassified to profit / (Loss)	337		360	512	349	913	302
	ii) Income Tax relating to items that will not be reclassified to Profit / Loss						(5)	4
	<b>Net Other Comprehensive Income</b>	<b>337</b>	<b>-</b>	<b>360</b>	<b>512</b>	<b>349</b>	<b>908</b>	<b>306</b>
14	<b>Total Comprehensive Income for the period (12±13)</b>	<b>(670)</b>	<b>435</b>	<b>(10779)</b>	<b>(205)</b>	<b>(23600)</b>	<b>(14213)</b>	<b>(54097)</b>
15	Profit/(Loss) for the year attributable to : Equity holder of the parent Non-Controlling Interest						(15120) (1)	(54401) (2)
16	Total Other Comprehensive income for the year attributable to : Equity holder of the parent Non-Controlling Interest						(14212) (1)	(54095) (2)
17	Paid-up Equity Share Capital (Face Value - Rs.10/-)	120409	120409	120409	120409	120409	120409	120409
18	Other Equity	-	-	-	(110380)	(110176)	(614399)	(600187)
19	<b>Earnings per share from Continuing Operations</b> (face value Rs.10/- each)							
	i) Basic	0.03	0.00	(0.17)	0.03	(0.18)	(0.98)	(1.24)
	ii) Diluted	0.03	0.00	(0.17)	0.03	(0.18)	(0.98)	(1.24)
	<b>Earnings per share from Discontinued Operations</b> (face value Rs.10/- each)							
	i) Basic	(0.11)	0.03	(0.76)	(0.09)	(1.81)	(0.27)	(3.28)
	ii) Diluted	(0.11)	0.03	(0.76)	(0.09)	(1.81)	(0.27)	(3.28)
	<b>Earnings per share from Continuing &amp; Discontinued Operations</b> (face value Rs.10/- each)							
	i) Basic	(0.08)	0.04	(0.93)	(0.06)	(1.99)	(1.26)	(4.52)
	ii) Diluted	(0.08)	0.04	(0.93)	(0.06)	(1.99)	(1.26)	(4.52)



(Rs in lakhs)

Balance Sheet as at 31st March 2018					
Sl.	Particulars	Standalone		Consolidated	
		As at 31-03-2018 Audited*	As at 31-03-2017 Audited*	As at 31-03-2018 Audited*	As at 31-03-2017 Audited*
<b>A</b>	<b>ASSETS</b>				
1	Non Current Assets				
	(a) Property, plant & equipment	1437	1645	6251	7248
	(b) Capital work-in-progress	-	-	129	129
	(c) Intangible Assets	-	-	-	13
	(d) Intangible Assets under development	-	-	966	734
	(e) Investment property	274	388	327	353
	(f) Financial Assets				
	Investments	72842	72829	139	115
	(g) Other Assets	48	-	287	239
	<b>Sub total</b>	<b>73881</b>	<b>73974</b>	<b>8899</b>	<b>8823</b>
2	Current Assets				
	(a) Inventories	1967	1858	13014	14372
	(b) Financial Assets				
	Trade Receivables	441	595	10491	9634
	Cash & Cash Equivalents	14367	13622	22951	24561
	Loans	164	155	-	-
	Other Financial Assets	191	4	527	1458
	(c) Other Assets	1805	2598	6147	7224
	<b>Sub total</b>	<b>18935</b>	<b>18832</b>	<b>53138</b>	<b>57249</b>
3	Non Current Assets held for sale	12	12	688	700
	<b>TOTAL ASSETS</b>	<b>92748</b>	<b>92818</b>	<b>61989</b>	<b>66772</b>
<b>B</b>	<b>EQUITY &amp; LIABILITIES</b>				
1	Equity				
	(a) Equity share capital	120409	128489	128489	120409
	(b) Other equity	(110388)	(110176)	(514399)	(888187)
	Equity attributable to Equity holders of the parent	10029	18233	(493990)	(479778)
	(c) Non Controlling Interests	-	-	(79)	(78)
	<b>Total equity</b>	<b>10829</b>	<b>10233</b>	<b>(494869)</b>	<b>(479856)</b>
2	Non-current liabilities				
	(a) Financial Liabilities				
	Borrowings	32836	33198	37324	43533
	Non Current Financial Liability	8417	18296	8417	18296
	(b) Provisions				
	Employee Benefits	265	1058	7712	8557
	(c) Deferred tax liability (net)	-	-	78	86
	<b>Sub total</b>	<b>48718</b>	<b>44552</b>	<b>63531</b>	<b>62472</b>
2	Current liabilities				
	(a) Financial Liabilities				
	Borrowings	-	732	3181	3431
	Trade Payables	334	1618	7279	8525
	Other Financial Liabilities	30388	17488	429518	406103
	(b) Government Grant	-	-	-	23
	(c) Other current liabilities	10979	16358	51177	52974
	(d) Provisions				
	Employee Benefits	247	1713	6566	8127
	Others	53	212	4806	4968
	(e) Current tax liabilities (net)	-	-	-	5
	<b>Sub total</b>	<b>42001</b>	<b>38833</b>	<b>502447</b>	<b>484156</b>
	<b>TOTAL LIABILITIES</b>	<b>82719</b>	<b>82585</b>	<b>555978</b>	<b>546628</b>
	<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>92748</b>	<b>92818</b>	<b>61989</b>	<b>66772</b>

Primary Segment information for year ended 31st March 2018

(Rs. in lakhs)


Particulars	Consolidated	
	31.03.2018 Audited	31.03.2017 Audited
<b>1 Segment Revenue</b>		
Food Processing Machinery	1135	1843
Machine Tools	17788	19752
Projects	2495	2398
Others	345	-
<b>Total</b>	<b>21683</b>	<b>23193</b>
Less: inter Segment Revenue	1442	1657
<b>Total</b>	<b>20241</b>	<b>21536</b>
<b>2 Segment Results</b>		
Segment Result before Interest & Taxes		
Food Processing Machinery	(316)	257
Machine Tools	(6352)	(7684)
Projects	-	540
Others	854	(4313)
<b>Total</b>	<b>(5814)</b>	<b>(11288)</b>
Less: interest Expenses	6832	5591
<b>Profit/(Loss) before Tax</b>	<b>(11846)</b>	<b>(16791)</b>
<b>3 Other information (Capital Employed)</b>		
Food Processing Machinery	262	(487)
Machine Tools	(24116)	(16943)
Exports	3308	2893
Others	(187D)	(4124)
Unallocated and Discontinued	(472446)	(461196)
<b>Total</b>	<b>(494069)</b>	<b>(479856)</b>

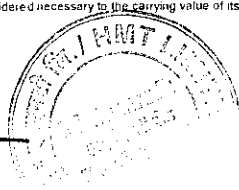
Note:

- The above Results for the quarter and year ended 31 March 2018 have been reviewed by the Audit Committee and approved by the Board at its Meeting held on June 19, 2018
- In respect of standalone financial statements of Tractor business of the Company has been discontinued as per CCEA approval during year 2016-17. Accordingly, figures during the quarters/year ended 31-3-2018 and 31-3-2017 have been included in Discontinued Operations
- In respect of consolidated financial statements as per the approval of CCEA in FY 2015-16 it was decided to close HMT Chinar Watches Ltd., HMT Watches limited and HMT Bearings limited. Accordingly, figures during the year ended 31-03-2018 and 31-3-2017 have been included in discontinued operations.
- The figures for three months ended 31st March 2018 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 Machinery, the disclosure requirement of Indian Accounting Standard (Ind AS 108) on 'Operating Segments' is not applicable for Standalone results.
- Network of the Company/ Group has been completely eroded. Considering the realisable value of the non-current assets held for sale, support from Government of India and other business plans, the Company has prepared its financial statements on going concern basis and accordingly, no adjustments are considered necessary to the carrying value of its assets and liabilities
- Figures of previous period / year's have been regrouped wherever necessary to conform with current period / year's figures.

\* Subject to Review by C&AG

By order of the Board of Directors

  
Chairman and Managing Director



EXTRACT OF THE AUDITED STANDALONE AND CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND YEAR  
ENDED 31ST MARCH 2018

(Rs. in lakhs)

Particulars	STANDALONE					CONSOLIDATED	
	Three months ended			Year Ended		Year Ended	
	31-03-2018 Audited*	31-12-2017 Unaudited	31-03-2017 Audited	31-03-2018 Audited*	31-03-2017 Audited	31-03-2018 Audited*	31-03-2017 Audited
1 Total income from Continuing Operations	1345	814	704	3210	2146	25053	25720
2 Net profit/ (loss) for the period (before tax, exceptional items)	370	55	(4392)	366	(4547)	(11846)	(17321)
3 Net profit/ (loss) for the period before tax (after exceptional items)	370	55	(3861)	366	(4016)	(11846)	(16790)
4 Net profit/ (loss) for the period after tax (after exceptional items)	370	55	(2000)	366	(2155)	(11833)	(14948)
5 Net Profit/(Loss) from Discontinued Operations	(1377)	380	(9139)	(1083)	(21794)	(3288)	(39455)
6 Total Comprehensive Income for the period (comprising profit for the period and other comprehensive income(net of tax) )	(670)	435	(10779)	(205)	(23600)	(14213)	(54097)
7 Profit/(Loss) for the year attributable to : Equity holder of the parent Non-Controlling Interest						(15120) (1)	(54401) (2)
8 Total Other Comprehensive income for the year attributable to : Equity holder of the parent Non-Controlling Interest						(14212) (1)	(54095) (2)
9 Paid up Equity Share Capital (face value of Rs.10/- each)	120409	120409	120409	120409	120409	120409	120409
10 Other Equity				(110360)	(110176)	(614399)	(600187)
11 Earnings Per Share from continuing operations (face value of Rs.10/- each)							
Basic :	0.03	0.00	(0.17)	0.03	(0.18)	(0.98)	(1.24)
Diluted :	0.03	0.00	(0.17)	0.03	(0.18)	(0.98)	(1.24)
Earnings Per Share from discontinued operations (face value of Rs.10/- each)							
Basic :	(0.11)	0.03	(0.76)	(0.09)	(1.81)	(0.27)	(3.28)
Diluted :	(0.11)	0.03	(0.76)	(0.09)	(1.81)	(0.27)	(3.28)

Note:

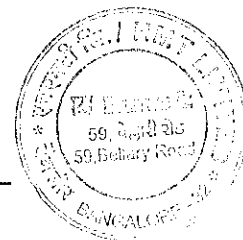
1. The above is an extract of the detailed format of Quarterly Financial Results filed with the Stock Exchanges under regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The full format of the Quarterly Financial Results are available on the websites of Stock Exchange of [www.nseindia.com](http://www.nseindia.com) and [www.bseindia.com](http://www.bseindia.com) and on the Company's website [www.hmtindia.com](http://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: 19.06.2018

**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, 2018, 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.

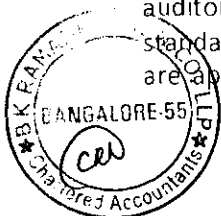
**Auditor's Responsibility:**

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 5) amounting to Rs. 317.47 lakhs, stock of materials (including stock considered in, raw materials, WIP and FG) are valued by adopting Weighted Average Cost Method. However, in the inventory software for many stock items rates were are not updated because of which respective stocks were valued at Nil. These were later manually updated based on the Purchase Orders available. Owing to the nature of Unit's records and in the absence of sufficient audit evidence, we are unable to ascertain if there is material departure from the Weighted Average Cost Method followed by the Company. We are also unable to ascertain its consequent impact, if any, on the Ind AS standalone financial statements.
- b) With regards to provision for non-moving inventory as stated in Note No.5) amounting to Rs.89.90 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):**

The unit has sought confirmations of most of Trade Receivables, Trade Payables, Loans & Advances, although Balances are subject to confirmation and reconciliation if any.

**3. Common Services Division:**

- 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) Attention is invited to note 45 in respect of reconciliation of GST collected on sales, input tax credit availed which is subject to reconciliation. We are unable to express any independent opinion on the same.

**3 Corporate Head Office ("CHO"):**

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. Effect on revenue not ascertained.



### Qualified Opinion:

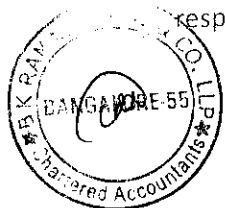
In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of other Branch Auditors, except for the effects of the matter described in the "Basis of our Qualified Opinion" paragraph, the aforesaid standalone financial 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, 2018, and its profits (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 completely 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) We did not audit the financial statements/information of 2 units i.e. Tractor Business Group, Pinjore and Food Processing Machinery Unit, Aurangabad included in these standalone Ind AS financial statements of the Company whose financial statements/financial information reflect total assets of Rs. 9,159.13 lakhs as at March 31, 2018 and total revenues of Rs. 6,083.50 lakhs (including amount included in discontinued operations of Rs.4,948.82 lakhs) for the year ended on that date. The financial statements/ information of these branches has been audited by the branch auditors i.e. Goel Subhash & Associates, Ambala Cantt and CA AG & Associates Aurangabad 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.
- ii) The financial statements of Lamp Division have been merged with CHO Accounts and our report insofar as it relates to the amounts included in respect of this Division is based solely on the Closing Balances of Last Year's Financial statements of CHO accounts except payment of Rs.67.84 lakhs towards due to Greater Hyderabad Municipal Corporation and Commercial Tax Officer, Hyderabad. Further, the Company has expensed off other advances amounting to Rs.9.42 lakhs and reversed liability no longer required amounting to Rs.235.11 Lakhs.
- iii) The physical share certificates for 26,08,99,037 equity shares and 4,43,00,000 preference shares of HMT Machine Tools Ltd whose costs is Rs.26,089.90 Lakhs and Rs.44,300.00 lakhs respectively are not in the possession of the Company as at March 31, 2018.
- iv) The Company has discharged the debt of State Bank of India, but the discharge of loan is not reflected in the charge Index of charges registered with Registrar of Companies of its Index Number 80046855.
- v) The Company has made a provision for non-moving inventories amounting to Rs.618.43 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.12,831.60 lakhs as reported in note 17 of the financial statements is reported based on the certificate given by the management. Out of the above amount, an amount of Rs.10,873.60 lakhs has been shown as continuous defaults of Government of India Loans.
- 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 previous year the Unit has discontinued its operations and is in the process of making settlement for all its receivables and payables. The Company need to carry out proper review of following balances and take necessary action:

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

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

- a. Inventories of the unit has been valued by the Company and auditors have relied based on the certificate furnished by the unit amounting to Rs.317.47 lakhs and provision for non-moving inventory amounting to Rs. 89.90 Lakhs.
- b. Disclosure in respect of contingent liabilities has been furnished based on the information and representations received from the management.
- c. The Unit has sought the confirmation of balances from parties with whom it has transactions (trade payables & trade receivables) which are subject to confirmation.

#### 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. The Company being a Government Company, provisions of 164 (2) of the Act is not applicable with respect to appointment of directors.
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure B**".
- g. With respect to other matters to be included in the Auditors report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us,
  - i) The Company has disclosed its pending litigations which would impact its financial position in note 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.

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

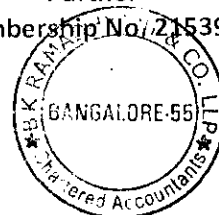
We give in the "**Annexure-C**", a statement on the compliance to Directions issued by the Comptroller and Audit General of India.

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

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

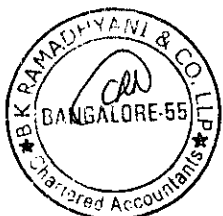
Membership No. 215398

Place: New Delhi  
Date: June 19, 2018



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

1. a) The Company has maintained proper records showing full particulars including quantitative details and situation of Property Plant & Equipment ("PPE").  
b) Based on the information of explanation given to us by the Company, physical verification if carried out once in 3 years. However, during the year none of the units have carried out such verification. Accordingly, we are unable to comment on the same.  
c) According to the information and explanation given to us by the Company, read with foot note c of note 3A, foot note iii) of note 3B and foot notes to note 3C of the Ind AS standalone financial statements, title deed of all immovable properties are held in the name of the Company.
2. The management during the year has physically verified the inventory at reasonable intervals at respective units. The discrepancies that were noticed during the physical verification of inventory were not material and the same has been properly adjusted in the respective unit books of account. However, it has been reported by the Food Processing Machinery unit auditor that documentary evidences to support the same were not available for their verification.
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 2017 – 18 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.



- a) According to the records of the Company, the Company is generally not regular in depositing undisputed statutory dues including Income Tax, service tax, duty of customs, duty of excise, value added tax, cess, GST and any other statutory dues to the appropriate authorities.
- b) The following undisputed amounts payable in respect of value added tax, cess and any other statutory dues in arrears as at March 31, 2018 for a period of more than six months from the date they become payable.

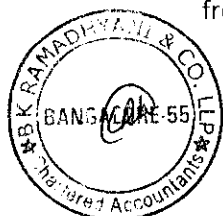
**In respect of Corporate Head Office:**

Sl.No.	Nature of the Statute	Nature of Dues	Amount (Rs. in lakhs)	Period to which Amount related to	Due Date	Date of Payment
1.	Greater Hyderabad Municipal Corporation	Property tax	86.47	For the year 2016 – 17 and first half of 2017 - 18		
2	Sales Tax of various states	Sales tax recovery of Lamps Division	62.93	Previous Years		

- c) According to the information and explanation given to us by the Company, there are no dues outstanding on account of any disputes in respect of income tax, service tax, customs duty or excise duty or value added tax 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 tax liability	2.49	Nil	2012-13	Deputy Commissioner of Sales Tax, Aurangabad

8. Based on the information and explanations given to us, the Company had borrowed from Dena Bank and has defaulted in repayment of loan amounting to Rs.986.50 lakhs and interest of Rs.2,010 lakhs. The Company has also defaulted in repayment of Government of India Loan amounting to Rs.10,873.60 Lakhs. However, it has not borrowed any amount from financial institution or issued the debentures.

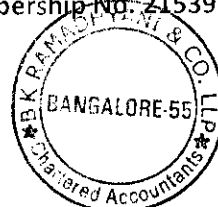


9. In our opinion based on the information and explanation given to us, the Company, it has not raised any moneys by way of initial public offer or further public offer (including debt instruments and term loans. Accordingly, the provisions of clause 3(ix) of the said Order are not applicable.
10. According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

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

*C. R. Deepak*  
(CA C R Deepak)  
Partner  
Membership No. 215398

Place: New Delhi  
Date: June 19, 2018



**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, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls:**

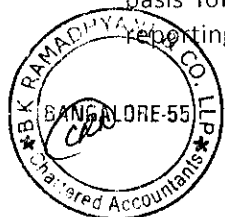
The Company's management is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial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

**Auditors' Responsibility:**

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

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

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



### **Meaning of Internal Financial Controls Over Financial Reporting:**

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

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting:**

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

### **Disclaimer Opinion:**

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

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

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

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

The Company did not have appropriate internal controls for reconciliations and confirmations of



Earnest Money Deposits, Security Deposits and other Deposits which could potentially result in a material weakness, in financial reporting process of current assets and current liabilities.

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

In our opinion, because of the possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the company has maintained, in all material respects, adequate internal financial controls over financial reporting were operating effectively as of March 31, 2018, based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing and extent of audit tests applied in our audit of the financial statements of the company as at and for the year ended March 31, 2018, 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 Corporate Head Office, Bangalore, Common Services Division, Bangalore and Tractor Division, Pinjore:***

The system of internal financial controls over financial reporting with respect of Tractor Division, Pinjore, Common services division and Corporate Head Office, Bangalore were not made available to us to enable us to determine if the Company has established the adequate internal financial control over financial reporting at the aforesaid divisions and whether such internal financial controls were operating effectively as at March 31, 2018.

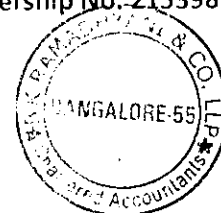
We have considered the disclaimer reported above in determining the nature, timing and extent of audit tests applied in our audit of the Ind AS standalone financial statements of the Company, and the disclaimer doesn't affect our opinion on the Ind AS standalone financial statements of the Company.

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: June 19, 2018



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 2017 – 2018 ISSUED BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA (“C&AG”) UNDER SECTION 143 (5) OF THE COMPANIES ACT, 2013

Sl. No.	Directions	Audit Observations
1.	Whether the Company has clear title/ lease deeds for freehold and leasehold land respectively? If not please state the area of freehold and leasehold land for which title/ lease title/ lease deeds are not available.	According to the information and explanation given to us by the Company, the Company holds the clear title of all freehold and leasehold land except for the cases referred in additional information para 3A (c) and 3B (iii) of the standalone financial statements.
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.90.78 lakhs for obsolescence for inventories, Rs. 25.78 lakhs towards trade receivables, Rs.179.93 lakhs towards interest on trade receivables and Rs.12.29 lakhs for loans & advances. The total outstanding balances in provision accounts as at March 31, 2018 is as under: Provision for obsolescence for inventories – Rs.618.43 lakhs, Rs.5,915.60 lakhs towards trade receivables, Rs.5,808.56 lakhs towards doubtful interest on trade receivables and Rs.136.40 lakhs towards doubtful advances.
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.





**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, 2018, 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:**

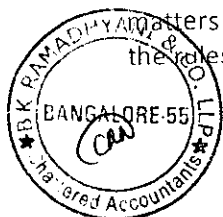
The Holding Company's Board of Directors is responsible for the preparation of these Ind AS consolidated financial statements in terms of the requirements of the Companies Act, 2013 (herein after referred to as "the Act") that give a true and fair view of the state of affairs (financial position), loss (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 other 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:**

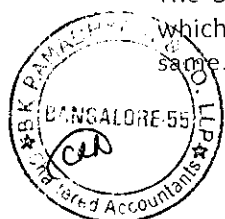
- a) As per information and explanation given to us with regards to the valuation of inventory as stated in Note No. 1.9) and 5) amounting to Rs. 317.47 lakhs, stock of materials (including stock considered in, raw materials, WIP and FG) are valued by adopting Weighted Average Cost Method. However, in the inventory software for many stock items rates were not updated because of which respective stocks were valued at Nil. These were later manually updated based on the Purchase Orders available. Owing to the nature of Unit's records and in the absence of sufficient audit evidence, we are unable to ascertain if there is material departure from the Weighted Average Cost Method followed by the Company. We are also unable to ascertain its consequent impact, if any, on the Ind AS consolidated financial statements.
- b) With regards to provision for non-moving inventory as stated in Note No.5) amounting to Rs.89.90 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:**

The unit has sought confirmations of most of Trade Receivables, Trade Payables, Loans & Advances, although Balances are subject to confirmation and reconciliation if any.

##### **3. Common Services Division:**

The Unit is in the process of reconciliation of GST collected on sales, input tax credit availed which is subject to reconciliation. We are unable to express any independent opinion on the



#### 4 Corporate Head Office of the Holding Company:

The Holding Company and its subsidiaries contribute 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.

#### 5 HMT Machine Tools Limited (“MTL”):

- a) Non-compliance with Ind AS – 1 “Presentation of Financial Statements” by not disclosing the deviation from the fundamental accounting assumption “Accrual” while accounting intangible assets under development in respect of a collaboration with NUM AG, a swiss company. MTL has capitalised only Rs.736.55 Lacs, being lump sum payment (Part of total consideration) due to the said company as against the full consideration of Rs.1,083.69 lakhs payable to them as per the agreement, on accrual basis.
- b) During the previous 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.1,850.80 lakhs has been fixed for the land @ 1.65 times the guidance value of land (fixed by the Government of Karnataka) at Rs.270 lakhs per acre. However, the said land measuring 4.25 acres is continued to be shown as Property, Plant & Equipment, even though BBMP has taken over the possession of said land.
- c) MTL has not made provision for liability if any, towards the interest payable to the parties covered under Micro, Small, Medium Enterprises Development Act, 2006.
- d) The balances of trade payables, borrowings, receivables, margin deposits, loans and advances are subject to confirmation from parties with whom MTL is having transactions. In the absence of the said confirmation, the process of reconciliation is incomplete. Accordingly, we are not in a position to authenticate the correctness of the balance as at March 31, 2018.
- e) 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.
- f) During August 2010, MTL had placed an order with CMC Limited for supply of hardware and implementation of SAP system across all the units of MTL. The scope of work envisaged included supply, installation, commissioning of hardware, SAP licences, customisation of software, training of employees etc. However, it has been informed that the implementation is negligible and due to inordinate delay in implementation, the SAP system has become redundant due to subsequent improvements in technology. MTL has incurred an amount of Rs.128.89 lakhs towards hardware which is grouped under Capital work in progress and Rs.229.35 lakhs towards development of software which is grouped under Intangible assets under development.

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



6. HMT Watches Limited ("HWL")

i) Disagreement on Accounting Policies Inappropriate Disclosure:

a) *Going Concern Concept:*

- The Board of Directors of HWL in their 72<sup>nd</sup> board meeting held as on 18.01.2016 had decided to close down the HWL after getting the approval from cabinet committee of Economic Affairs.
- The accumulated losses of HWL as at the March 31, 2018 amounted to Rs.2,81,475.59 lakhs against which the paid up capital of HWL is Rs.649.01 lakhs and the losses has totally eroded the net worth of HWL.
- HWL has been incurring continues operating losses for the past many years.
- The total liabilities of HWL as at March 31, 2018 is Rs.2,85,835.95/- lakhs against which the Fixed and current assets of Rs.5,009.37 lakhs.
- The contingent liabilities disclosed in the financial statements as at March 31, 2018 are Rs.1,961.18 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.

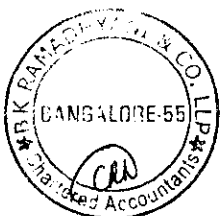
c) Depreciation on leasehold land and building in the case of Watch Marketing Division has been computed at 10% by applying straight line method rates of depreciation which is contrary to the rate specified in Schedule II of the Act. The impact of the same on the net loss of HWL and also on carrying cost of tangible assets is not ascertainable.

d) The details of PPE with written down value of Rs.1 lakh and above which have been retired from active use and disclosed at lower of book or net realizable value were not made available in respect of watch factory Ranibagh.

e) 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.

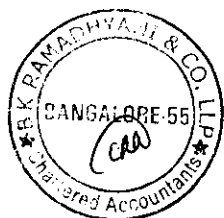
In view of the above we do not express an independent opinion on the correctness of existence and valuation of inventories. Net effect of the same on the financial results is not ascertainable.

- g) As required by Part II, Schedule III of the Act, the statement of profit and loss Account does not disclose item of income or expenditure which exceeds 1 percent of revenue from the operation or Rs.10 lakh whichever is higher.
- 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) The Company has not complied with the disclosure of the following Ind AS:
- i) As per Ind AS – 8, HWL has not done the retrospective adjustment of prior period errors and omissions by restating the comparative amounts for prior period presented or where the errors relates to the period (s) before the earliest prior period presented, restating the opening balance of assets, liabilities and equity for that period.
  - ii) As per Ind AS – 36, HWL has not identified, measured, quantified and disclosed the impairment of assets and its impact on the current financial statements.
  - iii) As per Ind AS 109, HWL has not recognized interest free refundable security deposits at fair value.
- k) HWL is in possession of lease hold land admeasuring 33.32 acres at Ranibagh. Lease period of the said land expired in 2014. HWL is still continuing to show the said land under Property, Plant & Equipment ("PPE") and claiming depreciation resulting in overstatement of PPE and understatement of losses to an extent of Rs.5.30 lakhs.



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) PPE 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.
- c) 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.
- d) 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. We have not been provided the bank confirmation of balance and physical cash certificates. No explanation with regard to the cash balance of show rooms and bank balances were provided to us.
- e) Other current assets include a sum of Rs.21.11 lakhs representing suspense account Dr. (OBS) and Rs.1.98 lakhs representing suspense account debit – OBS Opn (Cr.) relating to watch marketing division. Individual details of such credits/ debits were not ascertainable and are subject to reconciliation.
- f) Sales tax on transfer of inventory made during the year to the Holding Company was not ascertained and provided in the books.
- g) Service tax and GST 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 31.03.2018 amounting to Rs. 3,863.86 Lakhs.



- i) The details for interest on delayed payment statutory dues were not made available. HWL has neither ascertained nor worked out the quantum of penal interest, penalties and damages towards default in remitting statutory dues.
- 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) 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
- n) No provision has been made for liabilities aggregating Rs. 1,588.57 lakhs in respect of employee related claims relating to lockouts, back wages, incentives, annual bonus etc. This has resulted in understatement of net loss by Rs. 1,588.57 lakhs and corresponding understatement of current liabilities to that extent.
- o) In pursuant to distress warrant dated 23-12-2011 issued by BBMP for recovery of Rs.381.31 lakhs of property tax along with penalty for the period from 01-10-1995 to 2011-12, a total provision of Rs.665.19 lakhs has been made towards such taxes and penalties as at the March 31, 2018.
- p) Dne 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 Bearings Limited (“HBL”): Basis of Adverse Opinion:

- 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 March 31, 2018, 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:**

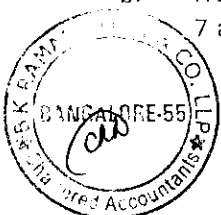
Attention of the members is invited to note 49 of the consolidated Ind AS financial statements regarding reasons for preparing these consolidated Ind AS financial statements of the Company on going concern basis, notwithstanding the fact that the networth of the Group is completely eroded. The appropriateness 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.

**In respect of MTL the auditor has reported the following:**

- a. Advances include an amount of Rs.17.57 lakhs being cenvat credit availed by one of unit of MTL, the said unit of MTL has not filed GST – TRAN 1 return to carry forward the same and setoff against the GST payable.
- b. Ajmer unit of MTL has defaulted in settlement/ payment of gratuity to the employees who have retired/ separated to the extent of Rs.772.04 as at March 31, 2018. No provision has been made in respect of the penalty payable/ settlement of gratuity.
- c. In respect of Hyderabad unit, discrepancies were noted in certain items inventory on physical verification with books of account as the bin cards were not updated.
- d. In respect of Kalamasary unit, the unit has leased 1 acre 58 cents to Kerala State Electricity Board and 25 cents to the postal authorities in Kalamassery, Ernakulam, Kerala. Lease agreement if any, has not been made available to Unit auditors for verification and correctness of the lease rental accounted could not be verified.

**In respect of HWL the auditor has reported the following:**

- a. Non-Current assets held for sale includes immovable properties vested under the Scheme of Arrangement approved by Government of India and non carrying of the mutation of title deeds in the revenue records to that effect. Accordingly, the title of the said properties could not be ensured.
- b. HWL is in the possession of gifted land located at Bangalore admeasuring 89.74 acres of which 7 acres of land encroached upto and the matter taken up with the Government of Karnataka





to shift the un authorized occupants. Though HWL is in possession of land at various units, it has not obtained up to date encumbrance certificate from the concerned authorities to ascertain the extent of encroachment/ title verification.

**Other Matters:**

1. We did not audit the financial statements of 5 subsidiaries whose financial statements reflect total assets of Rs.79,171.75 lakhs asat March 31, 2018, total revenues of Rs.23,681.63 Lakhs and net cash out flows amounting to Rs.2,355.44 lakhs for the year ended on that date as considered in the consolidated Ind AS financial statements. The Financial statements of these subsidiaries are audited by other auditors whose report have been furnished to us by the Holding Company and our opinion on the consolidated Ind AS financial statements, in so far as its relates to the amounts and disclosures included in respect of these subsidiaries and Joint venture company and our report in terms of subsections (3) and (11) of Sec 143 of the Act, in so far as it relates to the aforesaid subsidiaries and Joint Venture company, is based solely on the report of the other auditors. Our opinion on the consolidated financial statements, and our report on other legal and regulatory requirements below, is not modified in respect of this matter with respect to our reliance on the work done and the report of the other auditor.
2. The holding company has not received financial statements of Gujarat State Machine Tools Limited for the year ended March 31, 2018, 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.
3. 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:**

4. 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.
5. The Holding Company has made a provision for non-moving inventories amounting to Rs.618.43 lakhs based on the certificate furnished by the management and relied upon by the auditors of the respective units.
6. The financial statements of Lamp Division have been merged with the Accounts of the Holding Company and our report insofar as it relates to the amounts included in respect of this Division is based solely on the closing balances of previous year's financial statements of the Holding Company except for payment of Rs.67.84 lakhs towards dues to Greater Hyderabad Municipal Corporation and Commercial Tax Officer, Hyderabad. Further, the Company has expensed off other advances amounting to Rs.9.42 lakhs and reversed liability no longer required amounting to Rs.235.11 Lakhs.
7. **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.12,831.60 lakhs as reported in note 17 of the financial statements is reported based on the certificate given by the management. Out of the above amount, an amount of Rs.10,873.60 lakhs has been shown as continuous defaults of Government of India Loans.
- 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 previous year the Unit has discontinued its operations and is in the process of making settlement for all its receivables and payables. The Company need to carry out proper review of following balances and take necessary action:

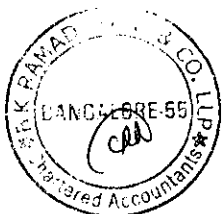
Particulars	Amount (Rs. In lakhs)	Remarks
Amount due to PWD	22.18	Due for more than 10 years
Claim recoverable from Motokov Ltd	0.11	Outstanding since 1989 - 90
Customs Duty Deposit	0.22	Old balance
Bombay Port Trust	0.01	Old balance

**8. In respect of Food Processing Machinery Division, Aurangabad ("the Unit") the branch auditor has commented the following:**

- a. Inventories of the unit has been valued by the Company and auditors have relied based on the certificate furnished by the unit amounting to Rs.317.47 lakhs and provision for non-moving inventory amounting to Rs. 89.90 Lakhs.
- b. Disclosure in respect of contingent liabilities has been furnished based on the information and representations received from the management.
- c. The Unit has sought the confirmation of balances from parties with whom it has transactions (trade payables & trade receivables) which are subject to confirmation.

**9. In respect of HWL the statutory auditor has reported the following:**

- a. 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.
- b. HWL has not complied the following disclosures as per Ind AS:
1. Fair Value of recognition of financial assets and liabilities.
  2. Deferred Tax Liability
  3. Provision for expected credit loss on Trade Receivables.
  4. Retrospective adjustments of prior period errors and omissions.
- c. 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.
- d. 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.



- e. 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:

1. 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. Attention is invited to para 4 a), 5 a), 6 f), 6 J), 7 b) of the 'Basis of Qualified Opinion' and para 9 b) of 'Other Matters' which are not in compliance of Indian Accounting Standards ("Ind AS"), accordingly, in our opinion, the afore said Ind AS Consolidated Financial Statements don't comply with Ind AS specified in section 133 of the Act.
  - e. The Holding Company being a Government Company, provisions of 164 (2) of the Act is not applicable with respect to appointment of directors.
  - f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure A**".
  - g. With respect to other matters to be included in the Auditors report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us,
    - i) 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 and its subsidiaries 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 Holding Company and its subsidiary companies, Joint Venture company incorporated in India.



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

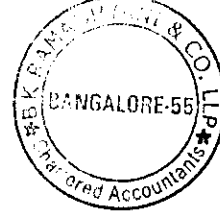
We give in the "**Annexure-B**", a statement on the compliance to Directions issued by the Comptroller and Audit General of India.

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

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

Membership No. 215398

Place: New Delhi  
Date: June 19, 2018



**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, 2018 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:*

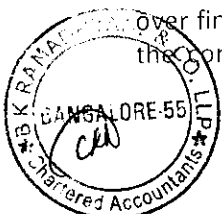
The Company did not have an appropriate internal control system for inventory with regard to inventory valuation, as the process of mutual updating the purchase rates in the inventory software are not adequately getting updated in the system. Further, the internal control system for identification and 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 our opinion, because of the possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the company has maintained, in all material respects, adequate internal financial controls over financial reporting were operating effectively as of March 31, 2018, based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing and extent of audit tests applied in our audit of the financial statements of the company as at and for the year ended March 31, 2018, 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 Corporate Head Office, Bangalore, Common Services Division, Bangalore and Tractor Division, Pinjare:***

The system of internal financial controls over financial reporting with respect of Tractor Division, Pinjore, Common services division and Corporate Head Office, Bangalore were not made available to us to enable us to determine if the Company has established the adequate internal financial control over financial reporting at the aforesaid divisions and whether such internal financial controls were operating effectively as at March 31, 2018.

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

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

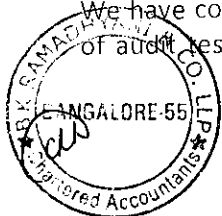
In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria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

**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, 2018.

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, 2018.

We have considered the disclaimer reported above in determining the nature, timing, and extent of audit tests applied in our audit of the standalone financial statements of the Company, and



disclaimer has affected our opinion on the financial statements of the standalone Company and we have issued a disclaimer opinion on the financial statements.

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

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

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

- a. In view of lack of sufficient appropriate audit evidence of establishment of a frame work for internal financial control over financial reporting, we are unable to express our opinion, regarding adequacy of internal financial control over financial reporting and whether or not such internal financial controls were operating effectively as at March 31, 2018.
- b. Though the framework for internal financial control over financial reporting is not established, we have considered the same in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements of the Company and it does not impact our audit opinion on the financial statements.

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

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

**Other Matters:**

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

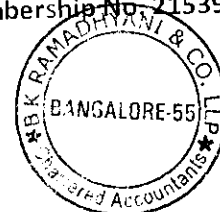
For B.K.RAMADHYANI & CO LLP  
Chartered Accountants  
Firm Registration No. 002878S/S200021

*C. R. Deepak*  
(CA C R Deepak)

Partner

Membership No. 215398

Place: Bangalore  
Date: June 19, 2018





ANNEXURE – B REFERRED TO IN PARAGRAPH 3 UNDER THE HEADING “REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS” OF OUR REPORT DIRECTIONS INDICATING THE AREAS TO BE EXAMINED BY STATUTORY AUDITORS DURING THE COURSE OF AUDIT OF ANNUAL ACCOUNTS OF HMT LIMITED FOR THE YEAR 2017 – 2018 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.	Whether the Company has clear title/ lease deeds for freehold and leasehold land respectively? If not please state the area of freehold and leasehold land for which title/ lease title/ lease deeds are not available.	According to the information and explanation given to us by the Company, the Company holds the clear title of all freehold and leasehold land except for the cases referred in additional information para 3A (c) and 3B (iii) of the standalone financial statements.
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.90.78 lakhs for obsolescence for inventories, Rs. 25.78 lakhs towards trade receivables, Rs.179.93 lakhs towards interest on trade receivables and Rs.12.29 lakhs for loans & advances. The total outstanding balances in provision accounts as at March 31, 2018 is as under: Provision for obsolescence for inventories – Rs.618.43 lakhs, Rs.5,915.60 lakhs towards trade receivables, Rs.5,808.56 lakhs towards doubtful interest on trade receivables and Rs.136.40 lakhs towards doubtful advances.
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.

(CA)

**B. 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 Bangalore**

HMT Machine Tools Limited ("MTL") In respect of Ajmer Unit pending finalisation of 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 adverse comments

HMT Watches Limited The auditor is unable to comment on whether the title deeds of immovable properties are held in the name of the company as sufficient information and appropriate evidence supporting the same were not made available to him. As per the information provided to him details of immovable properties in respect of following properties:

1. 119.65 Acres of free hold land at Tumkur
2. 89.707 Acres of free hold land at Bangalore
3. 984 sq. ft. leasehold building at Bangalore
4. 900 sq. ft. apartment at Mumbai
5. 1,107 sq. ft. leasehold apartment at Mumbai
6. 45.622 Acres of freehold land at Ranibagh
7. 13.36 Acres of Government Land at Ranibagh
8. 33.32 Acres of leasehold land (which expired on 09.11.2014) at Ranibagh.

HMT Chinar Watches Limited No adverse comments

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 adverse comments

HMT Watches Limited No adverse comments

HMT Chinar Watches Limited No adverse comments

HMT International Limited No adverse comments

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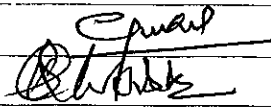
3. **Whether the Proper records are maintained for inventories lying with the third parties & assets as gift from Govt. or other authorities**

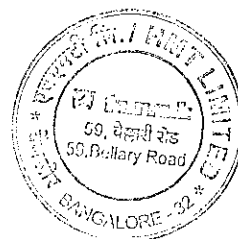
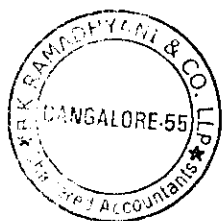
HMT Machine Tools Limited	In respect of Pinjore Unit, Material in transit of Rs.76.57 lakhs which is lying in the customs warehouse since 1998 – 99 to 2001 – 02. The Board of Directors of MTL has taken decision to write off the said inventory.
HMT Bearings Limited	No adverse comments
HMT Watches Limited	In respect of inventories at Ranibagh Unit, inventories include certain watch components taken into the custody by the Customs Authorities valued at Rs.343.30 Lakhs. The Collector of customs have levied additional duty redemption fine and penalty of Rs.150 lakhs and the company has appealed against the same to Central Excise and Gold Appellate Tribunal and subsequently the case has been returned to Central Excise Commissioner for fresh hearing. No provision has been made by the Company towards deterioration in the value of components which have been shown as contingent liability.
HMT Chinar Watches Limited	No adverse comments
HMT International Limited	No adverse comments

CAW

HMT LIMITED  
(STANDALONE)

Statement of Impact of Audit qualification (for Audit Report with modified opinion) submitted along-with Annual Financial Results

<b>Statement of Impact of Audit Qualifications for the Financial Year ended March 31, 2018</b> [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)	3209.62	3209.62
	2.	Total Expenditure (Rs. in Lakhs)	2843.08	2843.08
	3.	Net Profit / (Loss) (Rs. in Lakhs)	(204.64)	(204.64)
	4.	Earnings Per Share (in Rs.)	(0.06)	(0.06)
	5.	Total Assets (Rs. in Lakhs)	92747.63	92747.63
	6.	Total Liabilities (Rs. in Lakhs)	82718.70	82718.70
	7.	Net Worth (Rs. in Lakhs)	10028.93	10028.93
	8.	Any other financial item (s) (as felt appropriate by the Management)	-	-
II	<b><u>Audit Qualification (each audit qualification separately):</u></b>			
	a.	Details of Audit Qualification : As per enclosure		
	b.	Type of Audit Qualification : Qualified Opinion		
	c.	Frequency of Qualification : As per enclosure		
	d.	For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views : NIL		
	e.	For Audit Qualification(s) where the impact is not quantified by the auditor:		
		(i) Management's estimation on the impact of Audit Qualification: NIL.		
		(ii) If Management is unable to estimate the impact, reasons for the same : As per enclosure		
		(iii) Auditors Comments on (i) or (ii) above :		
III	<b><u>Signatories :</u></b>			
	•	CEO		
	•	CFO		
	•	Audit Committee Chairman		
	•	Statutory Auditor		
		Place : New Delhi	C.R. Repal	
		Date : 19-06-2018		



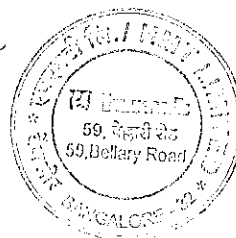
**QUALIFIED OPINION OF STATUTORY AUDITOR AND MANAGEMENT REPLIES**

**HMT LIMITED**

Audit Observations	Management Reply	Frequency of Qualification
<b><u>Food Processing Machinery Unit, Aurangabad</u></b>		
<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 5) amounting to Rs. 317.47 lakhs, stock of materials (including stock considered in, raw materials, WIP and FG) are valued by adopting Weighted Average Cost Method. However, in the inventory software for many stock items rates were are not updated because of which respective stocks were valued at Nil. These were later manually updated based on the Purchase Orders available. Owing to the nature of Unit's records and in the absence of sufficient audit evidence, we are unable to ascertain if there is material departure from the Weighted Average Cost Method followed by the Company. We are also unable to ascertain its consequent impact, if any, on the Ind AS consolidated financial statements.</p> <p>b) With regards to provision for non-moving inventory as stated in Note No.5) amounting to Rs.89.90 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 effect on the Ind AS consolidated financial statements is not ascertainable.</p>	<p>The unit is updating software used for Inventory valuation and all the reports shall be updated without manual feeding.</p> <p>Utmost care is taken to value inventory as per Company valuation policy. i.e. weighted average cost method.</p> <p>As reported above the unit is updating its software for valuing non-moving stock and its valuation 100% without skipping any items care shall be taken to get accurate age-wise non moving stock for provision to be made.</p>	<p>Repetitive</p> <p>Repetitive</p>
<b><u>Tractor Business Group, Pinjore</u></b>		
<p>The unit has sought confirmations of most of Trade Receivables, Trade Payables, Loans &amp; Advances, although Balances are subject to</p>	<p>During the previous year the unit has closed its operation. The unit has initiated process of final settlement / payment of</p>	<p>Repetitive</p>



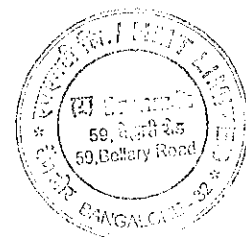
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confirmation and reconciliation if any.	trade receivables, trade payables, loans and advances after reaching final settlement with respective party is already under process and expected to complete in ensuing year. Any impact can only be ascertained only if complete account reconciliation is done by respective parties. However, adequate provisions have already been made, wherever required.	
<b>Common Services Division</b>  The Unit is in the process of reconciliation of GST collected on sales, input tax credit availed which is subject to reconciliation. We are unable to express any independent opinion on the same.	Reconciliation of GST on sales and input tax credit availed will be carried out during 2018-19 and necessary entries will be passed on completion of the same.	First time
<b>Corporate Head Office</b>  The Holding Company and its subsidiaries contribute 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.	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.  Further, HMT Watch Factory, Ranibagh PF Trust had been taken over by the Office of The Regional Provident Fund Commissioner's w.e.f. 01.09.2010.  For implementing Indian Accounting Standard bifurcation of income & expenditure, assets & liabilities of PF Trust is required and since in the PF trust Account, income & expenditure statement and balance sheets are common for the employees of different Companies / Units managed by it, as such, it is very difficult to bifurcate the same. However, all our efforts are being made to compile the required information for the purpose of actuarial valuation	Repetitive



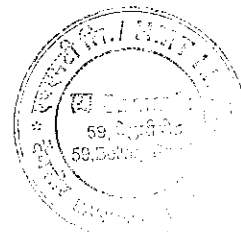
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**HMT LIMITED  
(CONSOLIDATED)**

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

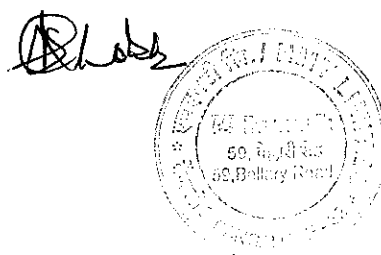
<b>Statement of Impact of Audit Qualifications for the Financial Year ended March 31, 2018</b> [See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations, 2016]				
I	Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1.	Turnover/ Total income (Rs. in Lakhs)	25053.49	25053.49
	2.	Total Expenditure (Rs. in Lakhs)	36899.64	36899.64
	3.	Net Profit / (Loss) (Rs. in Lakhs)	(14212.72)	(14212.72)
	4.	Earnings Per Share (in Rs.)	(1.26)	(1.26)
	5.	Total Assets (Rs. in Lakhs)	61909.8	61909.8
	6.	Total Liabilities (Rs. in Lakhs)	555978.48	555978.48
	7.	Net Worth (Rs. in Lakhs)	(494069.20)	(494069.20)
	8.	Any other financial item (s) (as felt appropriate by the Management)	-	-
II	<b>Audit Qualification (each audit qualification separately):</b>			
	a. Details of Audit Qualification : As per enclosure			
	b. Type of Audit Qualification : Qualified Opinion			
	c. Frequency of Qualification : As per enclosure			
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views : NIL			
	e. For Audit Qualification(s) where the impact is not quantified by the auditor:			
	(i) Management's estimation on the impact of Audit Qualification: NIL			
	(ii) If Management is unable to estimate the impact, reasons for the same : As per enclosure			
	(iii) Auditors Comments on (i) or (ii) above :			
III	<b>Signatories :</b>			
	• CEO <i>[Signature]</i>			
	• CFO <i>[Signature]</i>			
	Audit Committee Chairman <i>[Signature]</i>			
	Statutory Auditor <i>C. R. Deepall</i>			
	Place : New Delhi			
	Date : 19-06-2018			



**QUALIFIED OPINION OF STATUTORY AUDITOR AND MANAGEMENT REPLIES**

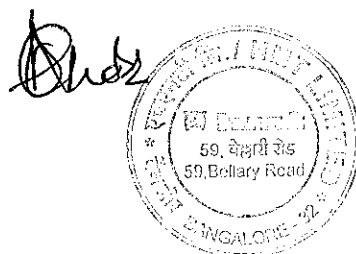
**HMT LIMITED**

Audit Observations	Management Reply	Frequency of Qualification
<b><u>Food Processing Machinery Unit, Aurangabad</u></b>		
<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 5) amounting to Rs. 317.47 lakhs, stock of materials (including stock considered in, raw materials, WIP and FG) are valued by adopting Weighted Average Cost Method. However, in the inventory software for many stock items rates were are not updated because of which respective stocks were valued at Nil. These were later manually updated based on the Purchase Orders available. Owing to the nature of Unit's records and in the absence of sufficient audit evidence, we are unable to ascertain if there is material departure from the Weighted Average Cost Method followed by the Company. We are also unable to ascertain its consequent impact, if any, on the Ind AS consolidated financial statements.</p> <p>b) With regards to provision for non-moving inventory as stated in Note No.5) amounting to Rs.89.90 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 effect on the Ind AS consolidated financial statements is not ascertainable.</p>	<p>The unit is updating software used for Inventory valuation and all the reports shall be updated without manual feeding.</p> <p>Utmost care is taken to value inventory as per Company valuation policy. i.e. weighted average cost method.</p> <p>As reported above the unit is updating its software for valuing non-moving stock and its valuation 100% without skipping any items care shall be taken to get accurate age-wise non moving stock for provision to be made.</p>	<p>Repetitive</p> <p>Repetitive</p>
<b><u>Tractor Business Group, Pinjore</u></b>		
<p>The unit has sought confirmations of most of Trade Receivables, Trade Payables, Loans &amp; Advances, although Balances are subject to</p>	<p>During the previous year the unit has closed its operation. The unit has initiated process of final settlement / payment of</p>	<p>Repetitive</p>



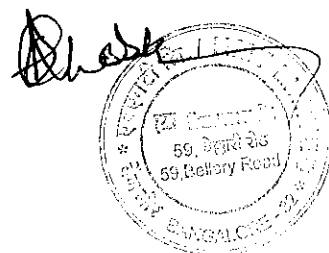


confirmation and reconciliation if any.	trade receivables, trade payables, loans and advances after reaching final settlement with respective party is already under process and expected to complete in ensuing year. Any impact can only be ascertained only if complete account reconciliation is done by respective parties. However, adequate provisions have already been made, wherever required.	
<p><b><u>Common Services Division</u></b></p> <p>The Unit is in the process of reconciliation of GST collected on sales, input tax credit availed which is subject to reconciliation. We are unable to express any independent opinion on the same.</p>	Reconciliation of GST on sales and input tax credit availed will be carried out during 2018-19 and necessary entries will be passed on completion of the same.	First time
<p><b><u>Corporate Head Office</u></b></p> <p>The Holding Company and its subsidiaries contribute 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>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 &amp; Srinagar. Further, combinations of two or more Subsidiary Companies PF accounts are being maintained by single PF Trust.</p> <p>Further, HMT Watch Factory, Ranibagh PF Trust had been taken over by the Office of The Regional Provident Fund Commissioner's w.e.f. 01.09.2010.</p> <p>For implementing Indian Accounting Standard bifurcation of income &amp; expenditure, assets &amp; liabilities of PF Trust is required and since in the PF trust Account, income &amp; expenditure statement and balance sheets are common for the employees of different Companies / Units managed by it, as such, it is very difficult to bifurcate the same. However, all our efforts are being made to compile the required information for the purpose of actuarial valuation</p>	Repetitive



**HMT MACHINE TOOLS LIMITED ("MTL")**

<p>a) Non-compliance with Ind AS – 1 “Presentation of Financial Statements” by not disclosing the deviation from the fundamental accounting assumption “Accrual” while accounting intangible assets under development in respect of a collaboration with NUM AG, a swiss company. MTL has capitalised only Rs.736.55 Lakhs, being lump sum payment (Part of total consideration) due to the said company as against the full consideration of Rs.1,083.69 lakhs payable to them as per the agreement, on accrual basis.</p>	<p>Since the project is yet to complete as per agreement, we have booked liability to the extent of invoices received from NUM AG. Hence even though the total project cost is Rs. 10,83,69,249/- the liability booked is only to the extent of invoices received from NUM AG as per the terms and conditions. However, we are disclosing the same under “Notes to Accounts – as a Commitment”.</p>	<p>First Time</p>
<p>b) During the previous 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.1,850.80 lakhs has been fixed for the land @ 1.65 times the guidance value of land (fixed by the Government of Karnataka) at Rs.270 lakhs per acre. However, the said land measuring 4.25 acres is continued to be shown as Property, Plant &amp; Equipment, 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<sup>st</sup> March 2018 the same has been shown under Property, Plant &amp; Equipment. The appropriate financial impact on sale of Land would be considered based on completion of the above.</p>	<p>Repetitive</p>
<p>c) MTL has not made provision for liability if any, towards the interest payable to the parties covered under Micro, Small, Medium Enterprises Development Act, 2006.</p>	<p>The Company has made necessary provision for liability if any, towards the interest payable to the parties covered under Micro, Small, Medium Enterprises Development Act, 2006 which is shown under the Note no. 10 of Financial statements for the year.</p>	<p>First Time</p>
<p>d) The balances of trade payables, borrowings, receivables, margin deposits, loans and advances are subject to confirmation from parties with whom MTL is having transactions. In the absence of the said confirmation, the process of reconciliation is incomplete. Accordingly, we are not in a</p>	<p>Any impact can only be ascertained only if complete account reconciliation is done by respective parties till date by deputing their representatives. However, adequate provisions have already been created, wherever required.</p>	<p>First Time</p>



<p>position to authenticate the correctness of the balance as at March 31, 2018.</p> <p>e) 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>f) During August 2010, MTL had placed an order with CMC Limited for supply of hardware and implementation of SAP system across all the units of MTL. The scope of work envisaged included supply, installation, commissioning of hardware, SAP licenses, customization of software, training of employees etc. However, it has been informed that the implementation is negligible and due to inordinate delay in implementation, the SAP system has become redundant due to subsequent improvements in technology. MTL has incurred an amount of Rs.128.89 Lakhs towards hardware which is grouped under Capital work in progress and Rs.229.35 Lakhs towards development of software which is grouped under Intangible assets under development. Since the SAP system is not fully customized and put to use due to delay in implementation we are unable to express any independent opinion with regard to impairment of the said asset as per Ind AS – 36.</p>	<p>The matter will be reviewed during the current financial year. And necessary corrective action will be taken after getting/collecting the requisite information/ data/ documents from the Units.</p> <p>The matter will be reviewed during the ensuing financial year and necessary corrective action will be taken.</p>	<p>First Time</p> <p>First Time</p>
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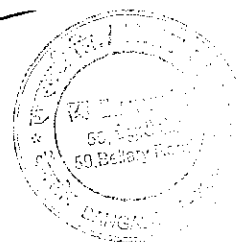
**HMT WATCHES LIMITED ("HWL")**

**1. Disagreement on Accounting Policies Inappropriate Disclosure:**

<p>a) <i>Going Concern Concept:</i></p> <ul style="list-style-type: none"> <li>The Board of Directors of HWL in their 72<sup>nd</sup> 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.</li> <li>The accumulated losses of HWL as at the March 31, 2018 amounted to Rs.2,81,475.59 Lakhs against which the paid up capital of HWL is Rs.649.01</li> </ul>	<p>The Company is a subsidiary of HMT Limited and has been carrying on its activities. The Company has been receiving financial support from the Government of India. The financial statements have been prepared as per Ind AS going concern concept.</p>	<p>Repetitive</p>
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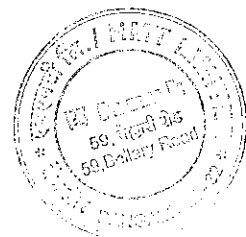
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<p>Lakhs and the losses has totally eroded the net worth of HWL.</p> <ul style="list-style-type: none"> <li>• HWL has been incurring continues operating losses for the past many years.</li> <li>• The total liabilities of HWL as at March 31, 2018 is Rs.2,85,835.95/- Lakhs against which the Fixed and current assets of Rs.5,009.37Lakhs.</li> <li>• The contingent liabilities disclosed in the financial statements as at March 31, 2017 are Rs.1,916.18Lakhs 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.</li> <li>• Consequent to the decision of closing down HWL, it has sold all its Property Plant &amp; 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.</li> </ul>	<p>DHI conveyed vide letter dated 13-1-2016, the decision of the CCEA to close the Company by sending the all the employees on VRS/VSS. The Company have relieved all the employees on VRS/VSS except 146 employees at Ranibagh Unit, who approached Hon'ble High Court of Uttarakhand.</p>	
<p>b) Certain internal control deficiencies were observed during the course of audit of financial statements. The management does not establish adequate internal controls to ensure that transactions were properly classified, accounted, reviewed and reconciled. The units of HWL did not follow the established internal controls such as performing account reconciliations, obtaining periodical conformation of balances, and periodical verification of fixed assets, payment vouchers duly supported by sanctions and providing management an oversight of the financial management accounting processes.</p>	<p>The Company has appointed the practicing Chartered Accountant firms as Internal auditors. There are no major discrepancies are reported by the internal auditors. The necessary corrective action as suggested by auditor has been taken care during the 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 the Act. The impact of the same on the net</p>	<p>It is noted and the same will be reviewed and necessary corrective action will be taken during the FY 2018-19.</p>	<p>Repetitive</p>



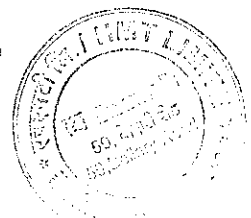
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<p>loss of HWL and also on carrying cost of tangible assets is not ascertainable.</p> <p>d) The details of PPE with written down value of Rs.1 lakh and above which have been retired from active use and disclosed at lower of book or net realizable value were not made available in respect of watch factory Ranibagh.</p> <p>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.</p> <p>f) Valuation of inventories not being in accordance with the IND AS 2 - Valuation of Inventories due to:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• In watch factory Ranibagh the work in progress is valued at cost instead of cost or NRV whichever is lower.</li> <li>• 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.</li> <li>• No provision for additional duty redemption fine and penalty of Rs.150.00 Lakhs was made in the accounts relating to watch components</li> </ul>	<p>The Company is under closure and classified all its PPE under Non-Current assets held for sale at book value. The records are available at Factory Ranibagh.</p> <p>The Company is under closure and classified all its PPE under Non-Current assets held for sale at book value. The NRV is more than that the Book Value. Hence there is no impairment.</p> <p>The Company has reconciled inventories with books of accounts in respect of the Ranibagh Unit.</p> <p>The valuation of WIP is at cost only as there is no MRP/NRV for the WIP. We are not selling the WIP.</p> <p>The Company has made a provision of Rs. 7.12 Crores at WFR.</p> <p>The case is settled in favour of the Company. The Company is needed not to make any provision.</p>	<p>First Time</p> <p>Repetitive</p> <p>Repetitive</p> <p>Repetitive</p> <p>Repetitive</p> <p>Repetitive</p>
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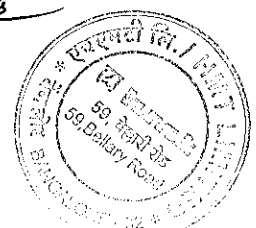
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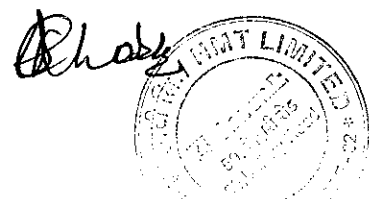
<p>valued at Rs. 343.30 Lakhs taken into custody by the Customs authorities in the earlier years in Watch Factory, Ranibagh.</p> <p>In view of the above we do not express an independent opinion on the correctness of existence and valuation of inventories. Net effect of the same on the financial results is not ascertainable.</p> <p>g) As required by Part II, Schedule III of the Act, the statement of profit and loss Account does not disclose item of income or expenditure which exceeds 1 percent of revenue from the operation or Rs.10 Lakhs 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) 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.</p> <p>j) The Company has not complied with the disclosure of the following Ind AS:</p> <ul style="list-style-type: none"> <li>As per Ind AS – 8, HWL has not done the retrospective adjustment of prior period errors and omissions by restating the comparative amounts for prior period presented or where the errors relates to the period (s) before the earliest prior period presented, restating the opening balance of assets, liabilities and equity for that period.</li> </ul>	<p>The annual accounts are prepared based on the quantum transactions. Further, it is noted and the same will be reviewed and necessary corrective action will be taken during the FY 2018-19.</p> <p>It is noted and the same will be reviewed and necessary corrective action will be taken during the FY 2018-19.</p> <p>As per the data/information available with the Company, the Vendors are not MSME Certified/Registered.</p> <p>In our opinion the Company does n't have any prior period expenses which require adjustment as per Ind AS. Hence, no restatement is not done.</p>	<p>Repetitive</p> <p>Repetitive</p> <p>Repetitive</p> <p>First Time</p>
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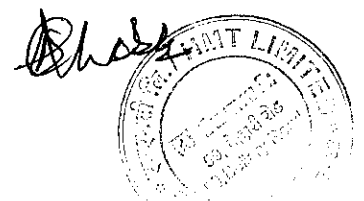
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<ul style="list-style-type: none"> <li>As per Ind AS – 36, HWL has not identified, measured, quantified and disclosed the impairment of assets and its impact on the current financial statements.</li> <li>As per Ind AS 109, HWL has not recognized interest free refundable security deposits at fair value.</li> </ul> <p>k) HWL is in possession of lease hold land admeasuring 33.32 acres at Ranibagh. Lease period of the said land expired in 2014. HWL is still continuing to show the said land under Property, Plant &amp; Equipment ("PPE") and claiming depreciation resulting in overstatement of PPE and understatement of losses to an extent of Rs.5.30 lakhs.</p>	<p>The Company is under closure and classified all its PPE under Non-Current assets held for sale at book value. The NRV is more than that the Book Value. Hence there is no impairment.</p> <p>The Company is under closure and extinguishing all its liabilities and realizing all assets at the earliest to remove its name from ROC. Therefore security deposit has to be refunded immediately.</p> <p>It is noted and the same will be reviewed and necessary corrective action will be taken during the FY 2018-19.</p>	<p>First Time</p> <p>First Time</p> <p>Repetitive</p>
<p><b>2. Disagreement with the Accounting Issues:</b></p>		
<p>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.</p> <p>b) PPE 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</p>	<p>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.</p> <p>This is as per the Scheme of Arrangement by the Holding Company and accounting entries made accordingly.</p>	<p>Repetitive</p> <p>Repetitive</p>

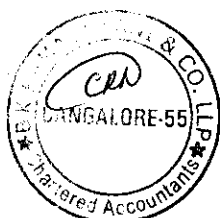


<p>and onwards on the original cost of the assets on straight line basis, keeping in view the estimated life of the assets. Fixed assets should have been recorded at original cost to the company instead of historical cost to HMT Ltd. This has resulted in overstatement of gross block by Rs. 32.21 crores. Excess depreciation charged on such overstatement of gross block has not been quantified.</p>		
<p>c) 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, it is to be noted that all the parties are under litigation and with the court cases.</p>	<p>Repetitive</p>
<p>d) 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. We have not been provided the bank confirmation of balance and physical cash certificates. No explanation with regard to the cash balance of show rooms and bank balances were provided to us.</p>	<p>The Company made all the efforts to reconcile the amount, the bankers are not responding. The matter will be reviewed during the current financial year. And necessary corrective action will be taken after getting/collecting the requisite information/data/documents from the Units.</p>	<p>Repetitive</p>
<p>e) Other current assets include a sum of Rs.21.11 lakhs representing suspense account Dr. (OBS) and Rs.1.98 lakhs representing suspense account debit – OBS Opn (Cr.) relating to watch marketing division. Individual details of such credits/debits were not ascertainable and are subject to reconciliation.</p>	<p>The suspense accounts will be reconciled during the FY 2018-19 and will be closed by obtaining approval from the competent authority.</p>	<p>Repetitive</p>
<p>f) Sales tax on transfer of inventory made during the year to the Holding Company was not ascertained and provided in the books.</p>	<p>The Company requested the Vat authorities to permit to pay the taxes at the time of actual sales to customers as watchesis under closure.</p>	<p>First Time</p>





g) Service tax and GST liability under reverse charge mechanism has neither been ascertained nor provided for in the accounts.	All the payments are made on account basis. Necessary action will be taken at the time of final settlement made to the party.	First Time
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 31.03.2018 amounting to Rs. 3,863.86 Lakhs.	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.	Repetitive
i) The details for interest on delayed payment statutory dues were not made available. HWL has neither ascertained nor worked out the quantum of penal interest, penalties and damages towards default in remitting statutory dues.	The interest on delayed payment of statutory dues are paid	Repetitive
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.	The case is pending with Honorable HIGH COURT. The payments will be made as and when the received order from Court.	Repetitive
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.	The Company has approached the various Courts to recover dues from the RDS. These amounts will adjust towards dues from the parties at the time of settlement on receipt of the court orders.	Repetitive
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.	All the transaction pertains to VAT are explained to the concerned authorities. The unit is closed.	Repetitive
m) HWL has not disclosed contingent liability if any, relating to sale of land to Canara Bank and subsequent claim by third party vide	The party has no documents and the documents which are produced are found in the court are bogus.	Repetitive



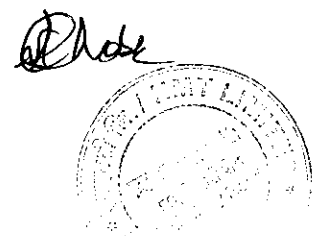
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<p>miscellaneous petition no. 621/622 pending adjudication.</p> <p>n) No provision has been made for liabilities aggregating Rs. 1,588.57 Lakhs in respect of employee related claims relating to lockouts, back wages, incentives, annual bonus etc. This has resulted in understatement of net loss by Rs. 1,588.57 Lakhs and corresponding understatement of current liabilities to that extent.</p> <p>o) In pursuant to distress warrant dated 23-12-2011 issued by BBMP for recovery of Rs.381.31 Lakhs of property tax along with penalty for the period from 01-10-1995 to 2011-12, a total provision of Rs.665.19 Lakhs has been made towards such taxes and penalties as at the March 31, 2018.</p> <p>p) One of the creditors of HWL had obtained execution decree dated 30-05-1998 passed in OS no. 15652 of 2008 for Rs. 128 Lakhs. This fact together with contingent liability if any has not been disclosed in the financial statements of HWL.</p> <p>Effect on all the above matters is not ascertainable on the financial statements of the Group.</p>	<p>There is no need to made any provision in the books of accounts</p> <p>This case is pertains to 1979-80. As all the employees are relived on VRS after taking under taking of no dues from the Company. The Company will review the status of the cases and corrective action will be taken during 2018-19</p> <p>The Company has made one time settlement with BBMP. Awaiting the final order.</p> <p>The Company settled the amount in the court.</p>	<p>Repetitive</p> <p>Repetitive</p> <p>Repetitive</p>
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**HMT BEARINGS LIMITED ("HBL")**

<p>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 statement of HBL has been prepared on the going concern basis.</p> <p>b) HBL has not made any provision towards expected credit losses on its trade receivables as contemplated in Ind AS 109.</p>	<p>The Company is preparing the financial statements on Going Concern basis till the removal of the name of the Company from ROC.</p> <p>The Company has to approach Government Of India for financial assistance If there is any claim from the employees or any statutory dues.</p> <p>The Company is in the process of winding up and is forming a Committee for one time settlement of the creditors and debtors and all receivables. The balance if any payable/ receivable will be</p>	<p>Repetitive</p> <p>Repetitive</p>
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<p>c) HBL has not properly classified its trade receivables, current assets, loans and advances etc as current and non-current.</p> <p>d) HBL has not disclosed information as required by Micro, Small and Medium Enterprises Development Act, 2006.</p>	<p>reconciled by Insolvency professional before voluntary winding up of the Company The existing trade receivables isRs. 58.20 Lakhs.</p> <p>All Trade Receivables, loans and advances are categorized as current assets only as they are required to be recovered within a period of one year before closure of the Company</p> <p>The Company has not received any information from vendors regarding amount unpaid under MSMED Act. A note in this regard is given in Notes to Balance Sheet (item 2.23)</p>	<p>Repetitive</p> <p>Repetitive</p>
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