



Hindustan Motors Limited

Annual Report
&
Accounts 2012-2013

HINDUSTAN MOTORS LIMITED

ANNUAL REPORT

18 Month Period Ended September 30, 2013

Board of Directors

Shri C. K. Birla	Chairman
Shri Naresh Chandra	
Shri Pradip Kumar Khaitan	
Dr. Anand C. Burman	
Shri Kranti Sinha	
Shri A. Sankaranarayanan	
Shri Subroto Gupta (up to 08.05.2012)	IDBI Nominee
Shri Vijay Kumar Sharma (up to 12.08.2012)	LIC Nominee
Shri Gautam Dutta (w.e.f. 09.05.2012)	IDBI Nominee
Shri Uttam Bose (w.e.f. 02.04.2012)	Managing Director

Chief Financial Officer and Company Secretary

Shri Yogesh Goenka

Bankers

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

Statutory Auditors

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

Cost Auditors

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

Share Transfer Agents

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

Registered Office

'Birla Building', 14th Floor
9/1, Rajendra Nath Mukherjee Road, Kolkata - 700 001

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Notice to the Shareholders

NOTICE is hereby given that the Seventyfirst Annual General Meeting of the Shareholders of HINDUSTAN MOTORS LIMITED will be held at Kolkata Ice Skating Rink, 78, Syed Amir Ali Avenue, Kolkata 700 019, on Thursday, the 26th December, 2013 at 2.30 PM to transact the following business:-

AS ORDINARY BUSINESS :

- (1) To receive, consider and adopt the Audited Statements of Account of the Company together with the Directors' Report as also the Auditor's Report thereon for the eighteen month period ended 30th September, 2013.
- (2) To appoint a Director in place of Shri Naresh Chandra who retires by rotation and being eligible offers himself for re-appointment.
- (3) To appoint a Director in place of Shri Kranti Sinha who retires by rotation and being eligible offers himself for re-appointment.
- (4) To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**, relating to the appointment of the Auditors of the Company:

"RESOLVED THAT Messrs. S. R. Batliboi & Co. LLP., (Registration No. 301003E) Chartered Accountants, the retiring Auditors, be and they are hereby re-appointed as Auditors of the Company under Section 224 and other applicable provisions, if any, of the Companies Act, 1956 to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at a gross remuneration of ₹ 25,00,000/- (Rupees Twenty five lacs only) per annum exclusive of reimbursement of out-of-pocket expenses, as may be incurred by the Auditors on travelling, boarding and lodging at the Company's factories and its other branches outside Kolkata which shall also be borne by the Company and that the said remuneration be paid to the Auditors in two equal quarterly installments."

Registered Office:
'Birla Building', 14th Floor
9/1, Rajendra Nath Mukherjee Road
Kolkata 700 001
Dated, the 19th November, 2013

By Order of the Board
For HINDUSTAN MOTORS LTD.
Yogesh Goenka
*Chief Financial Officer and
Company Secretary*

NOTES :

1. **A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the Company. The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.**
2. In terms of Articles 90 and 91 of the Articles of Association of the Company Shri Naresh Chandra and Shri Kranti Sinha, Directors of the Company retire by rotation in the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Information about such Directors as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges in India, are provided in the Report on Corporate Governance forming part of the Annual Report. The Board of Directors of the Company recommends the respective re-appointments of the aforesaid Directors.

3. Members/Proxies should bring the enclosed Attendance Slip duly filled in for attending the meeting along with a copy of the Annual Report. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of Board Resolution authorizing their representatives to attend and vote on their behalf in the meeting.
4. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold the shares in physical form are requested to write their Folio Number(s) in the Attendance Slip for attending the meeting.
5. Members who have shareholdings in multiple accounts in identical names or joint accounts in the same order are requested to send all the share certificate(s) to the Registrar and Share Transfer Agents, Karvy Computershare Private Limited at Plot Nos.17 to 24 Vittal Rao Nagar, Madhapur, Hyderabad - 500081 for consolidation of all such shareholdings into one account to facilitate better service.
6. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, the 19th December, 2013 to Thursday, the 26th December, 2013 (both days inclusive).
7. (a) Members are requested to notify change of address, if any, with PINCODE to the Company or to its Registrar and Share Transfer Agents quoting reference of their folio number and in case their Shares are held in dematerialised form, this information should be passed on to their respective Depository Participants.
(b) In case the mailing address mentioned in this Annual Report is without the PINCODE, members are requested to kindly inform their PINCODE immediately.
8. A member desirous of getting any information on the accounts or operations of the Company or share/debenture related matter is requested to forward his/her query(ies) to the Company at least seven days prior to the meeting so that the required information can be made available at the meeting.
9. Individual shareholders can now take the facility of making nomination of their holding. The nominee shall be the person in whom all rights of transfer and/or amount payable in respect of Shares shall vest in the event of the death of the shareholder and the joint-holder(s), if any. A minor can be a nominee provided the name of the guardian is given in the nomination form. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu undivided family, holder of Power of Attorney cannot nominate. For further details in this regard shareholders may contact Karvy Computershare Private Limited, Hyderabad, the Registrar and Share Transfer Agents of the Company.
10. In all correspondence with the Company or with its Registrar and Share Transfer Agents, members are requested to quote their folio number and in case their Shares are held in the dematerialised form, they must quote their Client ID and their DP ID Numbers.
11. The shares of the Company are in compulsory demat segment. Those members who still continue to hold shares in physical form, are requested to get their shares dematerialised at the earliest.
12. Securities and Exchange Board of India vide its circulars dated 27th April, 2007 and 25th June, 2007 has made it mandatory with effect from 2nd July, 2007 for every participant in the securities/capital market to furnish income tax Permanent Account Number (PAN). Accordingly, all the shareholders (including joint holders) holding shares in physical form are requested to submit copy of their PAN Card duly attested by the Notary Public/Gazetted Officer/Bank Manager under their official seal stating their full name and address, registration number to the Registrar & Share Transfer Agents, Karvy Computershare Private Limited.

13. The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" (Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011) allowing paperless compliances by Companies through electronic mode. Companies are now permitted to send various notices /documents to its shareholders through electronic mode to the registered e-mail addresses of shareholders. Keeping in view the underlying theme and the circular issued by MCA, the Company proposes to send all documents to Shareholders like General Meeting Notices (including AGM), Audited Financial Statements, Directors' Report, Auditor's Report etc. to the shareholders through e-mail. Shareholders holding shares in dematerialized form are requested to register their e-mail ID with their Depository Participants and shareholders holding shares in physical form are requested to register their e-mail ID with Registrar and Share Transfer Agents of the Company i.e., Karvy Computershare Pvt. Limited, Plot Nos. 17 to 24 Vittal Rao Nagar, Madhapur, Hyderabad 500 081 for sending documents through e-mail.
14. The Securities and Exchange Board of India (SEBI) vide its Circular dated 21st March, 2013 has provided that companies making cash payments to their investors shall use approved electronic mode of payment such as ECS, NECS, NEFT etc. To enable usage of electronic payment instruments, companies are required to maintain requisite bank details of their investors. Therefore Shareholders of the Company who hold shares in physical form are requested to submit the following information under their signatures to Registrar and Share Transfer Agents of the Company i.e., Karvy Computershare Pvt. Limited for registering bank details if not already registered earlier:-
 - a) Name of the sole/first joint-holder
 - b) Folio number
 - c) Name of the Bank
 - d) Address of the Bank branch with Pin code
 - e) Bank Account No.
 - f) Type of Bank account whether saving or current
 - g) MICR Code and
 - h) IFSC Code

Directors' Report to the Shareholders

Your Directors present their Seventyfirst Annual Report together with annual accounts of the Company for the eighteen month period ended September 30, 2013.

Scheme of Arrangement for Demerger

The Board of Directors of the Company at its meetings held on 10th January, 2013 and 9th February, 2013 approved a scheme of arrangement for demerger of the "Chennai Car Plant" of the Company to its wholly owned subsidiary namely Hindustan Motor Finance Corporation Limited with effect from 1st April, 2012. The scheme is subject to requisite approvals, including sanction of the High Court. The shareholders of the Company present at the Court Convened Meeting held on 23rd September, 2013 and public shareholders through voting by postal ballot have approved the said scheme of arrangement with requisite majority. It is now awaiting sanction of the Court.

Financial Results

After taking into account the ongoing initiatives including the proposed demerger of the Chennai Car Plant of the Company, the financial year 2012-13 was extended by a period of six months ending 30th September, 2013 with the approval of Registrar of Companies, West Bengal. Accordingly, the financial results are presented for the eighteen month period ending 30th September, 2013. However since the requisite approvals relating to demerger have not yet been received, no accounting adjustment thereof has been made in the financial statements of the Company for the period under review.

The figures for the period under review being for eighteen months are strictly not comparable with the previous year, which consisted of twelve months. During the period under review, the Company's revenue was ₹ 881 Crores compared to ₹ 590 Crores in the previous financial year. The following table gives a summary of the performance.

(₹ in Crores)

	2012-13 (18 months)	2011-12 (12 months)
Gross Revenue from Operations	880.78	590.49
Net Revenue from Operations	722.89	494.26
Profit/(Loss) before Exceptional items and Tax	(159.99)	(133.96)
Exceptional items (Income)	80.01	100.56
Profit / (Loss) before Tax	(79.98)	(33.40)
Tax Expenses	(8.78)	(3.44)
Profit / (Loss) For the Period/Year	(71.20)	(29.96)

The revenue account shows a loss of ₹ 71.20 Crores after providing ₹ 21.97 Crores for depreciation & amortisation expense and taking credit of ₹ 8.78 Crores for deferred tax net of other taxes. There was a deficit of ₹ 77.72 Crores in the Statement of Profit and Loss in the last year. After considering the results of the period under review, there is a deficit of ₹ 148.92 Crores in the Statement of Profit and Loss as at the end of the period. As the accumulated losses of the Company at the end of the financial year ended 30th September, 2013 exceeded its entire net worth, the Company will take necessary steps to comply with the legal requirements.

During the period, the Company sold 29,55,000 equity shares of ₹ 10/- each of AVTEC Limited and 33,82,857 equity shares of ₹ 10/- each of HM Export Limited and aggregate profit of ₹ 80.01 Crores thereon has been included in the Statement of Profit and Loss.

Consequent to the aforesaid sale of shares, its holding in AVTEC Limited reduced from 11.82 % to 0.04 % and in HM Export Limited from 99.99% to 26.46%. AVTEC Limited ceased to be an associate of the Company with effect from 28th March, 2013. HM Export Limited ceased to be a subsidiary of the Company with effect from 26th September, 2013 and is an associate of the Company from 26th September, 2013.

After the end of the period under review, the Company has sold the balance 12,17,000 equity shares of HM Export Limited to its wholly owned subsidiary, Hindustan Motor Finance Corporation Limited.

As informed earlier, due to sale of property at Halol, Gujarat and consequent profit in the year 2011, the Lenders had made a claim of recompense of interest under Corporate Debt Restructuring Scheme. The Company requested the Lenders to waive a significant portion of the demand based on the facts and circumstances of the case as well as justifiable reasons and to be reasonable in their claim. Pending final decision on the same, provision has been made for ₹ 15 Crores on account of this in the year 2010-11 and the amount has been paid to Lenders in April, 2011.

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

The Company is examining different options to improve liquidity, reduce losses and strengthening of net worth in view of past accumulated losses. The losses during the year were mainly on account of slow down in the automobile industry as well as adverse foreign exchange rates.

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

Preferential Allotment

As informed in the previous year that in order to meet the funding requirements for capital expenditure and working capital, the Company has on 12th March, 2012 allotted to promoter/promoter group companies on preferential basis 1,18,00,000 Warrants with each Warrant convertible into one Equity Share of the Company of nominal value of ₹ 5/- each at a premium of ₹ 7.25 per share at the option of the Warrant holder at any time within a period of eighteen months from the date of allotment of Warrants on payment of balance 75% consideration.

The Company has, on 19th June, 2012, allotted 1,18,00,000 Equity Shares of ₹ 5/- each at a premium of ₹ 7.25 per share to promoter/ promoter group companies who have exercised the option of conversion of 1,18,00,000 Warrants allotted to them on preferential basis.

The shareholding of the promoters has increased from 32.19 % to 36.52 % on conversion of Warrants into Equity Shares.

Review of Operations

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

Sale of automobiles during the period under review is 7982 numbers compared to 5099 numbers during the previous financial year.

The continuing increase in fuel prices, higher interest rates, and higher taxes / duties slowed down the overall growth of automobile industry during the period under review. The period under review has continued to be challenging for the Company. In the absence of a BS-IV compliant vehicle the operations at Uttarpara Plant was adversely affected due to lower volumes of Ambassador and Winner and shortage of working capital. Pajero Sport launched by the Chennai Car Plant of the Company in March, 2012 was well accepted by the Customer and has been adjudged "Off-roader of the Year 2012" by auto magazine BBC Top Gear. However the operation at the Chennai Car Plant was adversely affected due to lower volumes of other vehicles caused mainly by higher petrol prices and increased interest rates. Further adverse exchange rates and shortage of power availability in Tamil Nadu severely affected the margins on the products of the Chennai Car Plant.

The Company has entered into an agreement with Isuzu Motors India Private Limited in June, 2013 for contract manufacturing of Isuzu SUVs and pickup trucks in India, at its Chennai Car Plant. The manufacturing is expected to start from December, 2013. The agreement will enable the Company to optimally utilize its spare capacity at the Chennai Car Plant.

In September, 2013 the Company has launched a BS-IV compliant 1.5 litre diesel powered vehicle named Ambassador Encore from its Uttarpara Plant. The new Ambassador Encore has been appreciated by the taxi unions in Kolkata and West Bengal.

The Agreement with Isuzu Motors and launch of Ambassador Encore is expected to improve the performance of the Company during the current financial year.

Your Directors are pleased to inform that the Ambassador has won the crown for “the world’s best taxi” at the Beaulieu’s World of Top Gear motorsport show conducted by BBC Top Gear.

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

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

Outlook for 2013-14

The financial year 2013-14 will be for a period of six months from 1st October, 2013 to 31st March, 2014.

The growth rate of the Indian Economy has further slowed down and is expected to be lower during fiscal 2013-14 compared to fiscal 2012-13. With high interest rate, higher taxes and fuel prices automobile industry is headed for a biggest slow down in a decade during the current fiscal year.

The launch of BS-IV compliant Ambassador Encore has opened the market for the Company in 17 metropolitan cities where sale of BS-III cars had been banned since April, 2010. The Company is ramping up production at its Uttarpara Plant in West Bengal as well as resurrecting its distribution network in these cities to meet the surging demand for the Encore.

The contract manufacturing of vehicles for Isuzu Motors will enable the Company to utilize the spare capacity at its Chennai Car Plant and will also contribute positively to its profitability.

The Company is preparing to launch new variants of Ambassador and Winner during the current financial year. The launch of BS-IV compliant Ambassador Encore is expected to increase sales volumes in the current financial year. The Company continues to strengthen its distribution network by expanding its dealerships to reach new markets. The Company is also exploring opportunities to export Ambassador and Winner. The Company also continues to focus on cost reduction efforts and improvements in operational efficiencies as well as value engineering activities to improve the margins. With these initiatives, the Company expects improved performance in the current financial year.

As regards component business, in view of smaller size and continuous operating losses, your directors have decided in their meeting held on 30th October, 2013 to divest the whole or part of the business / interests of the Company in the Forge Shop and Foundry Shop at Uttarpara, West Bengal. This is subject to approvals of lenders and other approvals as may be required.

Industrial Relations

Industrial relations generally remained cordial and satisfactory.

Human resources initiatives such as skill level upgradation, training, appropriate reward & recognition systems and productivity improvement are the key focus areas for development of the employees of the Company.

Corporate Governance

The Company continues to remain committed for high standards of corporate governance. The report on corporate governance as per the requirement of the listing agreement with stock exchanges forms part of this report as Annexure-2. The Company has complied with all the requirements of corporate governance. The certificate from the Auditors of the Company confirming compliance to the conditions of the corporate governance requirements is also annexed.

Statutory Declaration

The Company has complied with all the applicable Accounting Standards prescribed by Companies (Accounting Standards) Rules, 2006. In terms of the requirement of Section 217 of the Companies Act, 1956, Directors’ Responsibility Statement is enclosed as Annexure-3 to this report. The particulars of employees to be disclosed as per the provisions of sub-section (2A) of the said Section is also given as Annexure-4.

Additional Information relating to conservation of energy, technology absorption, foreign exchange earnings and outgo as required under sub-section (1)(e) of the said Section is also given as Annexure-5 to this report.

There has been no material change and commitments affecting the financial position of the Company which have occurred between the end of the eighteen month period 2012-13 and the date of this report.

There has also been no change during the period under review in the nature of business of the Company or its subsidiaries. HM Export Limited ceased to be a subsidiary of the Company with effect from 26th September, 2013. Steps are being taken to close the business of Company's subsidiary in USA subject to necessary compliances and approvals.

Auditors

The report by the Auditors is self-explanatory. Your Directors request you to re-appoint auditors for another term beginning the conclusion of the ensuing Annual General Meeting till the conclusion of the subsequent Annual General Meeting and approve their remuneration as specified in the proposed resolution attached to the notice.

Cost Auditors

M/s Shome & Banerjee, Cost Accountants are the Cost Auditors of the Company for the financial year 2012-13 (18 month period). The Company has filed cost audit report for the financial year 2011-12 on 6th December, 2012 and the due date for filing cost audit report for the financial year 2012-13 is 29th March, 2014.

Subsidiaries

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

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

HM Export Limited ceased to be a subsidiary of the Company with effect from 26th September, 2013.

Directors

During the period under review, Shri Gautam Dutta was nominated by IDBI Bank Limited as Director of the Company with effect from 9th May, 2012 to fill in the casual vacancy caused by withdrawal of nomination of Shri Subroto Gupta as its nominee on Company's Board. The Board places on record its high appreciation for the valuable services rendered by Shri Subroto Gupta during his tenure as Director of your Company.

During the period under review, nomination of Shri Vijay Kumar Sharma as Director of the Company was withdrawn by Life Insurance Corporation of India with effect from 13th August, 2012. The Board places on record its high appreciation for the valuable services rendered by Shri Vijay Kumar Sharma during his tenure as Director of your Company.

At the ensuing Annual General Meeting, Shri Naresh Chandra and Shri Kranti Sinha, Directors of the Company, retire by rotation and being eligible offer themselves for re-appointment.

Appreciation

Your Directors acknowledge and thank the customers, shareholders, dealers, vendors, state government authorities, business associates, banks and financial institutions for the support extended to the Company. Your Directors also record their appreciation for the commitment and dedication of the employees of your Company.

For and on behalf of the Board of Directors

Annexure-1 to the Directors' Report

Management Discussion & Analysis Report

Industry Structure & Development

During the year 2012-13 (1st April, 2012 till 31st March, 2013) the overall economy registered a GDP growth rate of 5% as per the Economic Survey tabled by the Government. The index of industrial production in the year 2012-13 was lower at 1.1% compared to 2.9% in the previous year. The index of industrial production in the year 2013-14 till August, 2013 was 0.1% compared to 0.2% in the same period of previous year. Slowdown in GDP growth rate has cascading effect on automobile industry.

Sale of Passenger Vehicles in the country in the year 2012-13 grew by 2.15% as compared to 4.66% in the immediate preceding year and the sale of Light Commercial Vehicles in the country grew by 14.04% as compared to 27.36% in the immediate preceding year.

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

Domestic Sales – Nos.	12 months ending 31st March, 2012	12 months ending 31st March, 2013	% age Increase
Passenger Vehicles			
Passenger Cars	20,31,306	18,95,471	(-) 6.69
Utility Vehicles	3,63,772	5,53,660	52.20
Vans	2,34,761	2,37,298	1.08
Total	26,29,839	26,86,429	2.15
Light Commercial Vehicles			
Passenger Carriers	48,868	48,153	(-) 1.46
Goods Carriers	4,11,415	4,76,734	15.88
Total	4,60,283	5,24,887	14.04

Source : Society of Indian Automobile Manufacturers – Flash Report

During the six months period April to September, 2013, sale of Passenger Vehicles in the country declined by 5.15% as compared to growth of 6.96% in the corresponding period of previous year and the sale of Light Commercial Vehicles in the country declined by 15.32% as compared to growth of 3.71% in the corresponding period of previous year.

Sale of Company's vehicles during the eighteen month period was 7982 numbers compared to 5099 numbers in the previous financial year of twelve months. On annualised basis, this indicates a growth rate of 4.4%. The Company operates in niche segments only. The marginal increase in number of vehicles sold was because of lower base in the previous year. The sale of vehicles was severely affected mainly due to non-availability of BS-IV emission compliant diesel engine leading to loss of sale in major markets, decline in order from government customers, continuous increase in fuel prices, increased interest rates, increase in duties on cars and shortage of working capital. The adverse fluctuation in foreign exchange severely affected the profitability of the Chennai Car Plant despite reduction in component prices by the collaborator Mitsubishi Motors Corporation, Japan. The Company took measures like value engineering and cost reduction initiatives etc.

In October, 2012 the Company commenced production of Pajero Sport at its Chennai Car Plant which has reduced the cost of production. Earlier the Company was importing Completely Built Units of Pajero Sport.

In June, 2013, the Company entered into an agreement with Isuzu Motors India Private Limited for contract manufacturing of Isuzu SUVs and pickup trucks in India, at its Chennai Car Plant. The manufacturing is expected to start from December, 2013. The agreement will enable the Company to optimally utilize its spare capacity at the Chennai Car Plant.

In September, 2013 the Company has launched a BS-IV compliant 1.5 litre diesel powered vehicle named Ambassador

Encore from its Uttarpara Plant. The new Ambassador Encore has been appreciated by the taxi unions in Kolkata and other parts of the country.

Opportunities & Threats

The economy continues to be sluggish in the current year. Though the forecast of GDP growth rate for 2013-14 (12 months period) was between 6.1% to 6.7% however recent indicators suggest that GDP growth rate of around 5% may be achieved. In view of the lower GDP growth rate and high interest rates, demand for the passenger vehicles is likely to be lower during the year 2013-14. The sales have plummeted due to continued rising cost of fuel, higher rate of interest and high rates of taxes/duties. The industry is reeling under the impact of severe slowdown in sales. It is expected that the automobile industry will have negative growth during fiscal 2013-14. With the continuous introduction of newer models, competition will remain high. The continuous increases in fuel prices, surging prices of commodities, lower GDP growth rate and higher excise and import duties could impact demand during the current financial year.

The Company is hopeful of registering growth in sales during the current financial year. The Company expects to increase the sale of Ambassador car, especially in the commercial segment, with the Ambassador being adjudged as the world's best taxi and with the launch of BS-IV emission compliant Ambassador Diesel. The Company is also exploring opportunities to export Ambassador Car and Mini Truck, Winner. In order to increase the capacity and improve focus on Mini Truck, Winner and its variants, the Pithampur plant is being utilised for manufacture of these vehicles for efficient and cost effective supply to Central, North, South and West markets in the country.

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

Financial Performance

The figures for the period under review being for eighteen months are strictly not comparable with the previous year. Total revenue from operations of the Company during the period was ₹ 881 Crores against ₹ 590 Crores in the previous year. The loss before tax for the period was ₹ 79.98 Crores after including income from exceptional items which includes profit from sale of shares of AVTEC Limited and HM Export Limited. The profitability of the Company was adversely affected due to lower sales of its products and adverse foreign exchange rates.

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

The Outlook for the financial year 2013-14 (1st October, 2013 to 31st March, 2014) and status on Human Resources/Industrial relations are given in the Directors' Report.

Risks & Concerns

In the normal course of business, the Company is exposed to external risks such as overall demand fluctuations in the market segment in which it operates, reduction in relative market share for its products due to the impact of competition as well as internal risks such as limited product range, variations in operational efficiency and cost structure. The Company is also exposed to financial risks in the form of foreign exchange fluctuations and interest rate variations. The Company is taking appropriate steps to guard itself against these identified risks.

The Company has put in place a risk management policy to identify the nature and magnitude of risk associated with the Company and to take steps for mitigating the impact of such risks. These are reviewed periodically and placed before the Board.

Internal Control Systems

The Company has established suitable internal control systems, which provide reasonable assurance with regard to safeguarding the Company's assets, promoting operational efficiency and ensuring compliance with various legal and regulatory provisions. The Internal Audit Department reviews internal control systems in various business processes and also verifies compliance of the laid down policies and procedures. Reports of the internal auditor are reviewed by the senior management and are also placed before the Audit Committee of the Directors. The statutory auditors also review their findings with the senior management and the Audit Committee.

For and on behalf of the Board of Directors

Annexure-2 to the Directors' Report

Report on Corporate Governance

1. Company's philosophy on Corporate Governance

The Company's philosophy on Corporate Governance has been developed with a tradition of fair and transparent governance and disclosure practices, many of which were in existence even before they were mandated by legislation. Transparency, integrity, professionalism and accountability-based values form the basis of the Company's philosophy for corporate governance. The Company strives to improve the corporate governance practices to meet stakeholders' expectations and strictly complies with regulatory guidelines on corporate governance.

2. Board of Directors

(a) Composition of Board

As on date the Board of Directors have eight members comprising of one Executive Director and seven Non-Executive Directors. The Non-Executive Directors account for about 88% of Board's strength against minimum requirement of fifty percent as per Clause 49 of the listing agreement. There are five Independent Directors. The Non-Executive Directors are eminent professionals, drawn from amongst persons with experience in business & industry, finance & law. The Company has a Non-Executive Chairman who is also Promoter of the Company. The composition of Board of Directors as on the date of the report is as follows :-

Name of Directors	Category	No. of other Directorships*	No. of other Board Committee(s) of which he is a member **	No. of other Board Committee(s) of which he is a Chairman **
Shri C. K. Birla - Chairman	Promoter - Non-Executive	7	-	-
Shri Naresh Chandra	Independent - Non-Executive	9	8	-
Shri Pradip Kumar Khaitan	Not Independent - Non-Executive	14	3	-
Dr. Anand C. Burman	Independent - Non-Executive	7	-	-
Shri Kranti Sinha	Independent - Non-Executive	3	4	3
Shri A. Sankaranarayanan	Independent - Non-Executive	3	2	1
Shri Gautam Dutta	Independent - Non-Executive - IDBI Nominee- Lender	-	-	-
Shri Uttam Bose	Managing Director	-	-	-

* only public limited companies have been considered.

** includes the membership / chairmanship only of Audit Committee(s) and Shareholders' / Investors' Grievances Committee(s).

Shri Subroto Gupta ceased to be a Nominee Director of IDBI Bank Ltd. with effect from 9th May, 2012 and Shri Gautam Dutta was appointed as a Nominee Director of IDBI Bank Ltd. with effect from 9th May, 2012. Shri Vijay Kumar Sharma ceased to be a Nominee Director of LIC with effect from 13th August, 2012. Shri Uttam Bose was appointed as Managing Director of the Company with effect from 2nd April, 2012.

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

(b) Board Meetings

During the eighteen month period ended 30th September, 2013, seven meetings of the Board of Directors were held on 30th April, 2012, 13th August, 2012, 1st November, 2012, 10th January, 2013, 9th February, 2013, 7th May, 2013 and 12th August, 2013. The attendance of the Directors in these meetings was as follows :

Name of the Directors	Board Meetings		Last Annual General Meeting
	Held	Attended	If Attended
Shri C. K. Birla	7	7	Yes
Shri Naresh Chandra	7	7	Yes
Shri Pradip Kumar Khaitan	7	5	No
Dr. Anand C. Burman	7	3	No
Shri Kranti Sinha	7	6	Yes
Shri A. Sankaranarayanan	7	6	No
Shri Subroto Gupta (ceased to be a Director w.e.f. 9-5-2012)	7	1	NA
Shri Vijay Kumar Sharma (ceased to be a Director w.e.f. 13-8-2012)	7	-	NA
Shri Gautam Dutta (nominated by IDBI w.e.f. 9-5-2012)	7	5	Yes
Shri Uttam Bose (appointed as Managing Director w.e.f. 2-4-2012)	7	7	Yes

(c) Shareholding of Non-Executive Directors

As on 30th September, 2013, number of shares held by Non-Executive Directors were as follows :-

Name of Non-Executive Directors	No. of Shares held on 30th September, 2013
Shri C. K. Birla	6000
Dr. Anand C. Burman	1000
Shri Kranti Sinha	500
Shri A. Sankaranarayanan	1300

3. Audit Committee

- (a) The Audit Committee of Directors was constituted on 15th May, 1987. The terms of reference of the Audit Committee were expanded by the Board of Directors of the Company at its meetings held on 25th January, 2000, 31st August, 2000, 29th January, 2005 and on 27th April, 2006 and covers the matters specified for it under Clause 49 of Listing Agreement as well as in Section 292A of the Companies Act, 1956.

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

Name	Nature of Directorship	Membership
Shri Naresh Chandra	Independent and Non-Executive Director	Chairman
Shri Kranti Sinha	Independent and Non-Executive Director	Member
Shri A. Sankaranarayanan	Independent and Non-Executive Director	Member
Shri Gautam Dutta	Independent and Non-Executive Director	Member

- Composition of the Committee is in conformity with clause 49(II)(A) of the Listing Agreement. One of the members is nominee of Financial Institution.
- Shri Naresh Chandra, Chairman of the Audit Committee was present at the Annual General Meeting held on 13th August, 2012 to reply to shareholders' queries.
- The Audit Committee provides an overview on the reporting process of the Company's financial and accounting mechanism and ensures that disclosures in its financial statements are correct, sufficient and credible.
- The Committee reviews the efficacy of the internal control mechanism and monitors the risk management policies adopted by the Company. The Committee also reviews the report furnished by the internal auditor, cost auditor and statutory auditors and ensures that suitable follow up actions are taken. Besides, the Committee also examines accounting, taxation and disclosure aspects of all significant transactions.
- At the invitation of the Committee, the Managing Director, the Chief Internal Auditor, the Statutory Auditor, the Cost Auditor and the Chief Financial Officer and Company Secretary who is acting as the Secretary to the Audit Committee also attended the Audit Committee Meetings to answer and clarify the queries raised at the Committee Meetings.

(c) During the eighteen month period ended 30th September, 2013 six Audit Committee Meetings were held on 30th April, 2012, 13th August, 2012, 1st November, 2012, 9th February, 2013, 7th May, 2013 and 12th August, 2013 and the attendance of the Audit Committee Members was as under :-

Audit Committee Meetings

Name of the Audit Committee Members	Held	Attended
Shri Naresh Chandra	6	6
Shri Kranti Sinha	6	5
Shri A. Sankaranarayanan	6	5
Shri Subroto Gupta (ceased to be a Member w.e.f. 9-5-2012)	6	1
Shri Vijay Kumar Sharma (ceased to be a Member w.e.f. 13-8-2012)	6	-
Shri Gautam Dutta (nominated w.e.f. 9-5-2012)	6	4

4. Remuneration Committee

The Board of Directors of the Company at its meeting held on 14th March, 2003 constituted a Remuneration Committee of Directors mainly for the purpose of recommending the Company's policy on Remuneration Package for the Managing/Executive Directors, reviewing the structure, design and implementation of remuneration policy in respect of such directors and approving, reviewing and evaluating Employees' Stock Option Plan.

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

Name	Nature of Directorship	Membership
Shri Naresh Chandra	Independent and Non-Executive Director	Chairman
Shri Pradip Kumar Khaitan	Not Independent and Non-Executive Director	Member
Shri Kranti Sinha	Independent and Non-Executive Director	Member
Shri A. Sankaranarayanan	Independent and Non-Executive Director	Member
Shri Gautam Dutta	Independent and Non-Executive Director	Member

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

During the period under review, one meeting of the Remuneration Committee was held on 7th May, 2013 and the attendance of the Remuneration Committee Members was as under :-

Remuneration Committee Meetings

Name of the Remuneration Committee Members	Held	Attended
Shri Naresh Chandra	1	1
Shri Pradip Kumar Khaitan	1	1
Shri Kranti Sinha	1	1
Shri A. Sankaranarayanan	1	1
Shri Vijay Kumar Sharma (ceased to be a Member w.e.f. 13-8-2012)	1	NA
Shri Gautam Dutta (nominated w.e.f. 1-11-2012)	1	-

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

Remuneration paid to Directors during the eighteen month period ended 30th September, 2013

Non-Executive Directors

(Amount in ₹)

Name	Sitting fees for attending Committee and Board Meetings
Shri C. K. Birla	70,000
Shri Naresh Chandra	1,70,000
Shri Pradip Kumar Khaitan	1,30,000
Dr. Anand C. Burman	30,000
Shri Kranti Sinha	1,60,000
Shri A. Sankaranarayanan	2,00,000
Shri Subroto Gupta	30,000
Shri Gautam Dutta	1,20,000

Remuneration of Executive Director

(Amount in ₹)

	Shri Uttam Bose, Managing Director (2-4-2012 to 30-9-2013)
Salary* and allowances	2,27,25,776
Benefits	5,29,480
Bonuses	49,00,000 **
Stock Option	-
Contribution* to :	
(i) Superannuation Fund	-
(ii) Provident Fund	10,48,882
Total	2,92,04,138

* does not include Contribution to Gratuity Fund. ** includes joining Bonus of Rs. 24,00,000/-

Notes :

- a) Apart from making payment of sitting fee for attending the Board/Committee meetings and defraying expenses for attending such meetings and other travelling expenses incurred wholly and exclusively in attending to Company's work, no remuneration in any form is paid to Non-Executive Directors.
- b) M/s. Khaitan & Co. / M/s. Khaitan & Co. LLP, Solicitors and Advocates of the Company of which Shri Pradip Kumar Khaitan is a Partner renders professional services to the Company upon receipt of fee.
- c) The employment of the Managing Director is contractual in nature and is terminable by either side with a notice period of three months or Company paying three months salary (basic) in lieu of such notice.

5. Special Committee of Directors

The Board of Directors of the Company at its meeting held on 25th January, 2007 had constituted a Special Committee of Directors comprising of Shri Naresh Chandra and Shri Pradip Kumar Khaitan for the limited purpose of finalizing the development programme / sale of the Company's land at Uttarpara. The Board of Directors of the Company at its meeting held on 1st May, 2010 has expanded the ambit and scope of powers and authorities of the Committee.

The present composition of the Special Committee of Directors as on the date of the report is as follows:

Name	Nature of Directorship	Membership
Shri Naresh Chandra	Independent and Non-Executive Director	Chairman
Shri Pradip Kumar Khaitan	Not Independent and Non-Executive Director	Member
Shri A. Sankaranarayanan	Independent and Non-Executive Director	Member

During the period under review, four meetings of such Committee of Directors were held on 19th June, 2012, 24th July, 2012, 4th September, 2012 and 13th June, 2013 and the attendance of the Special Committee Members was as under :-

Special Committee Meetings

Name of the Special Committee Members	Held	Attended
Shri Naresh Chandra	4	3
Shri Pradip Kumar Khaitan	4	3
Shri A. Sankaranarayanan	4	3

6. Corporate Risk Management Committee

The Board of Directors of the Company at its meeting held on 28th July, 2006 had constituted a committee known as Corporate Risk Management Committee comprising of the Managing Director and six officers to ensure that risks as identified in the Risk assessment and minimization policy of the Company are controlled through a properly defined framework. During the period under review five meetings of such committee were held on 11th June, 2012, 18th September, 2012, 16th November, 2012, 20th March, 2013 and 29th July, 2013.

7. The Shareholders'/Investors' Grievances Committee

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

Name	Nature of Directorship	Membership
Shri Pradip Kumar Khaitan	Not Independent and Non-Executive Director	Chairman
Shri Kranti Sinha	Independent and Non-Executive Director	Member
Shri A. Sankaranarayanan	Independent and Non-Executive Director	Member
Shri Gautam Dutta	Independent and Non-Executive Director	Member
Shri Uttam Bose	Executive Director	Member

Shri Yogesh Goenka, Chief Financial Officer and Company Secretary of the Company is designated as the Compliance Officer.

The Committee oversees the performance of Karvy Computershare Pvt. Limited, the Registrar and Share Transfer Agents of the Company and recommends measures to improve the level of investor related services. Though the powers to approve share transfer/share transmission are delegated to the Registrar and Share Transfer Agents, all the share transfer/transmission cases approved by the Registrar are reported to the Committee which also keeps a close watch on disposal status of all complaints/grievances of shareholders. During the period under review, 137 complaints (including 1 No. of complaint pending as on 1st April, 2012) were received by the Company/Registrar and Share Transfer Agents from shareholders and/or through regulatory bodies. All these complaints have been redressed during the eighteen month period ended 30th September, 2013. There were no share transfer applications pending for registration as on 30th September, 2013.

During the eighteen month period ended 30th September, 2013, five meetings were held on 30th April, 2012, 1st November, 2012, 9th February, 2013, 7th May, 2013 and 12th August, 2013. The attendance of the Members was as under :-

Shareholders'/Investors' Grievances Committee

Name of the Shareholders'/Investors' Grievances Committee Members	Held	Attended
Shri Pradip Kumar Khaitan - Chairman	5	4
Shri Kranti Sinha	5	4
Shri A. Sankaranarayanan	5	5
Shri Subroto Gupta (ceased to be a Member w.e.f. 9-5-2012)	5	1
Shri Gautam Dutta (nominated w.e.f. 9-5-2012)	5	3
Shri Uttam Bose (nominated w.e.f. 30-4-2012)	5	5

Complaints received during the eighteen month period ended 30th September, 2013 by the Company and the Registrar and Share Transfer Agents of the Company

Nature of Complaints	No. of complaints	
	Received	Attended to
Non-receipt of Dividend Warrants	27	27
Non-receipt of Redemption Warrant	5	5
Non-receipt of Annual Report	15	15
Non-receipt of Securities	74	74
Non-receipt of Fresh/New Securities	1	1
Non-receipt of Securities after transfer	2	2
Non-receipt of Stickers	5	5
Non-receipt of Shares after TRM/DNN	6	6
Miscellaneous	2	2
	137	137

8. General Body Meetings

Nature of the General Meetings held in the last three years	Date	Venue	If Special Resolution(s) passed
Court Convened Meeting	23rd September, 2013	Kolkata Ice Skating Rink 78, Syed Amir Ali Avenue Kolkata-700019	Requisite Majority under Section 391 of the Companies Act, 1956
Annual General Meeting	13th August, 2012	-do-	Yes
Extraordinary General Meeting	7th March, 2012	-do-	Yes
Annual General Meeting	4th August, 2011	-do-	No
Annual General Meeting	10th August, 2010	-do-	Yes

Postal Ballot

During the period, one resolution was passed by requisite majority as per clause 5.16 of Securities and Exchange Board of India (SEBI) Circular No. CIR/CFD/DIL/5/2013 dated 4th February, 2013 as replaced and clarified by SEBI Circular No. CIR/CFD/DIL/8/2013 dated 21st May, 2013, through Postal Ballot in respect of approval to Scheme of Arrangement between Hindustan Motors Limited and Hindustan Motor Finance Corporation Limited and their respective Shareholders. Shri B. P. Dhanuka, a Practising Company Secretary was appointed as the Scrutinizer for the Postal Ballot process. The results of the Postal Ballot were announced by the Managing Director of the Company at the Registered Office of the Company on 1st October, 2013 and advertised in the newspapers.

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

- Description
Approval to Scheme of Arrangement between Hindustan Motors Limited (HML) and Hindustan Motor Finance Corporation Limited (HMFC) and their respective Shareholders for demerger of the Chennai Car Plant of HML to HMFC.

- Voting Pattern

Voting	Number of Votes	Percentage of Total Votes
Votes in favour	16165140	99.513
Votes against	79161	0.487
Total	16244301	100.000

- As per requirement of above referred circular of SEBI, only members of the Company not forming part of Promoters and Promoter Group voted in Postal Ballot. Accordingly, the above resolution was approved by Members (other than Promoters and Promoter Group).

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

9. Disclosures

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

There were no cases of non-compliance, no penalties or strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

No personnel has been denied access to the Audit Committee.

The Company complies with all the mandatory requirements and one non-mandatory requirement of Clause 49 of Listing Agreement viz. constitution of Remuneration Committee of Directors.

10. Means of Communication

Subject	Details
Quarterly results	Published in the newspapers in terms of Clause 41 of the Listing Agreement.
Newspapers wherein results normally published	The Financial Express - All India publications. Aajkal/Akdin (Bengali version) - Kolkata Edition
Any website, where displayed	www.hindmotor.com
Whether it also displays official news released and presentations made to institutional Investors/Analysts	Yes
Whether MD&A is a part of Annual Report	Yes. The same is as per Annexure 1 to the Directors' Report.

11. General Shareholder Information

Annual General Meeting	
Date & time	26th December, 2013 at 2.30 PM
Venue	Kolkata Ice Skating Rink, 78, Syed Amir Ali Avenue, Kolkata - 700 019
Financial Calendar for F.Y. 2013-14 (1st October, 2013 to 31st March, 2014)	a. 1st Quarterly Results - On or before 14th February, 2014 b. Annual Audited Results - On or before 30th May, 2014
Date of Book closure	19th December, 2013 to 26th December, 2013 (both days inclusive)
Dividend Payment	In view of the deficit in the Statement of Profit & Loss after taking into account the results for the period under review, there did not arise any occasion for the Board of Directors to consider recommending any dividend on the equity shares of the Company.
Listing on Stock Exchanges	National Stock Exchange of India Limited "Exchange Plaza", Plot No. C/1, G-Block Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 Tel : 91-22-2659 8190 Fax : 91-22-2659 8191 BSE Limited Floor 25, Phiroze Jeejeebhoy Towers Dalal Street, Mumbai - 400 001 Tel : 91-22-2272 1233/1234 Fax : 91-22-2272 1003

	The Calcutta Stock Exchange Limited 7, Lyons Range, Kolkata - 700 001 Tel : 91-33-4025 3000 Fax : 91-33-4025 3030	
Stock code	National Stock Exchange of India Ltd. BSE Ltd. The Calcutta Stock Exchange Ltd.	HINDMOTORS 500500 1000012
ISIN Number	INE253A01025	

Market Price Data

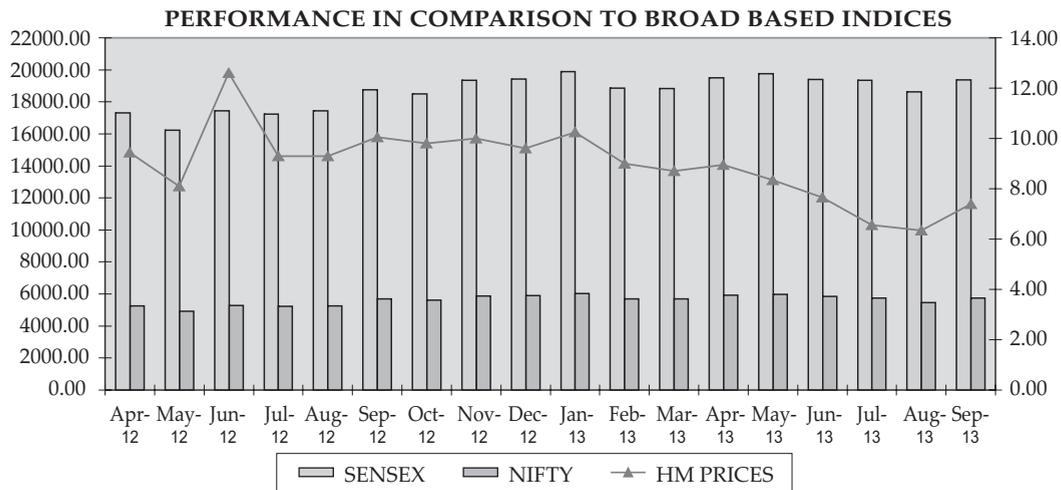
The Company's shares are listed on National Stock Exchange of India Limited, BSE Limited and The Calcutta Stock Exchange Limited. The monthly high and low quotations of shares traded during the eighteen month period ended 30th September, 2013 are as below :

(Amount in ₹)

Month	NSE		BSE		CSE	
	High	Low	High	Low	High	Low
April-12	10.50	9.10	10.50	9.06	NIL	NIL
May-12	10.30	8.00	10.25	8.00	NIL	NIL
June-12	14.40	7.95	14.35	7.91	NIL	NIL
July-12	13.70	9.00	13.65	9.01	NIL	NIL
August-12	10.70	8.90	10.75	8.86	NIL	NIL
September-12	10.60	9.00	10.59	9.00	NIL	NIL
October-12	12.35	9.65	12.00	9.67	NIL	NIL
November-12	10.80	9.35	10.89	9.25	NIL	NIL
December-12	11.00	9.55	11.05	9.56	NIL	NIL
January- 13	13.15	9.60	13.19	9.70	NIL	NIL
February – 13	11.20	8.40	11.90	8.76	NIL	NIL
March – 13	11.10	8.50	10.95	8.50	NIL	NIL
April-13	9.80	8.60	9.80	8.62	NIL	NIL
May-13	10.60	8.20	10.59	8.20	NIL	NIL
June-13	8.90	7.35	9.00	7.48	NIL	NIL
July-13	9.05	6.40	9.00	6.40	NIL	NIL
August-13	7.25	6.00	7.24	6.04	NIL	NIL
September-13	9.35	6.40	9.35	6.35	NIL	NIL

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

A graphical presentation is as follows :



The Registrar and Share Transfer Agents of the Company

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

E-mail : einward.ris@karvy.com / mahendra.singh@karvy.com

Kolkata Office : (033) 6619 2841, 6619 2842

Share Transfer System

Shares sent for physical transfer, if the documents are clear in all respects, are generally registered within an average time period of not more than 7 days from the date of receipt of the request. The Authorized Officers of the Registrar and Share Transfer Agents meet as often as required. During the eighteen month period ended 30th September, 2013, 36649 shares in physical form were transferred and the transfer process was completed within an average time period of not more than 7 days from the date of lodgement unless notices were required to be sent to the Registered Owners in certain identified categories of cases.

The Distribution of Shareholding as on 30th September, 2013

No. of Shares	Shareholders		Shares	
	Numbers	%	Numbers	%
1 - 500	114231	81.89%	20054377	10.86%
501 - 1000	13400	9.61%	11380940	6.16%
1001 - 2000	6109	4.38%	9559239	5.17%
2001 - 3000	1944	1.39%	5045443	2.73%
3001 - 4000	877	0.63%	3195281	1.73%
4001 - 5000	881	0.63%	4231888	2.29%
5001 - 10000	1140	0.82%	8562534	4.63%
10001 - 20000	482	0.34%	7034628	3.81%
20001 and Above	428	0.31%	115707663	62.62%
TOTAL	139492	100%	184771993	100%

Category of Shareholders as on 30th September, 2013

Sl. No.	Category	No. of holders	% of holders	No. of Shares	% of Shareholding
1.	Promoters	18	0.01	67473254	36.52
2.	Mutual Funds/UTI	16	0.01	66450	0.04
3.	Financial Institutions/ Banks/ Insurance Companies	62	0.04	9770938	5.29
4.	Foreign Institutional Investors	12	0.01	71517	0.04
5.	Private Corporate Bodies	1810	1.30	18229422	9.86
6.	Resident Individuals	135804	97.36	84146071	45.54
7.	NRI's & OCBs	1636	1.17	3491927	1.89
8.	Clearing Members	118	0.09	520524	0.28
9.	Trusts	15	0.01	27134	0.01
10.	Unclaimed Suspense Account	1	0.00	974756	0.53
TOTAL		139492	100.00	184771993	100.00

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

Sl. No.	Particulars	Number of shareholders	Number of shares
i)	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on 1st April, 2012	5708	987923
ii)	Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Suspense Account during the year	54	13173
iii)	Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the year	53	13167
iv)	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on 30th September, 2013	5655	974756

Dematerialisation of Equity Shares and Liquidity

The Company's shares are currently traded only in dematerialised form at three stock exchanges viz. National Stock Exchange of India Limited, BSE Limited and The Calcutta Stock Exchange Limited. To facilitate trading in dematerialised form, the Company has tied up arrangements with both the present depositories, i.e. National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd. (CDSL). Shareholders can open account with any of the depository-participants registered with any of these depositories. As on 30th September, 2013, about 94.20% of the Company's shares were held in dematerialised form.

As on 30th September, 2013, 2,36,00,000 Equity Shares of the Company held by Promoters/Promoter Group companies are under lock-in period.

Warrants

The Company has on 12th March, 2012 allotted 1,18,00,000 Warrants to Promoter/Promoter Group companies on preferential basis with each Warrant convertible into one Equity Share of face value of ₹ 5/- each at a premium of ₹ 7.25 per share at the option of the Warrant holder at any time within a period of 18 months from the date of

allotment of Warrants on payment of balance 75% consideration. The Company has, on 19th June, 2012, allotted 1,18,00,000 Equity Shares of ₹ 5/- each at a premium of ₹ 7.25 per share to promoter/promoter group companies who have exercised the option of conversion of 1,18,00,000 Warrants allotted to them on preferential basis. As a result of such allotment, the paid up capital of the Company increased from ₹ 86,48,59,965.00 comprising of 17,29,71,993 Equity Shares of ₹ 5/- each to ₹ 92,38,59,965.00 comprising of 18,47,71,993 Equity Shares of ₹ 5/- each.

Plant Locations (Manufacturing Units)

Address	Items produced
1. Uttarpara Division (UTP) Hindmotor - 712 233 District - Hooghly West Bengal	Ambassador, Mini Truck - Winner, Auto Components namely Forgings, Castings, Stampings, and Spare parts.
2. Chennai Car Plant (CCP) Adigathur Kadambathur - 631 023 District - Tiruvallur Tamil Nadu	Cedia, Pajero Sport, Outlander and Spare parts.
3. Pithampur Plant Pithampur Sector III Sagore - 454 774 District - Dhar Madhya Pradesh	Mini Truck - Winner and Spare parts

CEO Declaration on Code of Conduct

Reproduced is the text of the declaration made by the CEO cum Managing Director confirming compliance of Code of Business Conduct and Ethics by all Directors and Senior Management Executives:-

18th November, 2013

The Board of Directors
Hindustan Motors Limited
"Birla Building", 14th Floor
9/1 R. N. Mukherjee Road
Kolkata - 700 001

Dear Sir

I hereby confirm and declare that all the Directors of the Company and all Senior Management Executives as defined in the Code of Business Conduct and Ethics of the Company have submitted annual declarations confirming their compliance of the same.

Thanking you

Yours faithfully
For Hindustan Motors Limited

Sd/-
Uttam Bose
CEO and Managing Director

Address for Correspondence :

- For matters related to shares :
 - Karvy Computershare Pvt. Limited
 - Plot nos. 17 to 24 Vittal Rao Nagar
 - Madhapur, Hyderabad - 500 081
 - Telephone No : (040) 2342 0818
 - Fax : (040) 2342 0814
 - E-mail : einward.ris@karvy.com / mahendra.singh@karvy.com
- For queries/assistance on issues other than shares (including those related to financial statements) :
 - Shri Yogesh Goenka
 - Chief Financial Officer and Company Secretary
 - Hindustan Motors Ltd.
 - “Birla Building”, 14th Floor
 - 9/1, R. N. Mukherjee Road
 - Kolkata - 700 001
 - Telephone No : (033) 2242 0932
 - Fax No. : (033) 2248 0055
 - E-mail : hmcosecy@hindmotor.com
- For share transfer/transmission requests
 - Any of the local branches of Karvy Computershare Pvt. Ltd., a list of which can be available from Karvy's aforesaid address or from the office of the Chief Financial Officer and Company Secretary.

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

Name of Director	Shri Naresh Chandra	Shri Kranti Sinha
Date of birth	01.08.1934	28.12.1942
Date of appointment	24.07.2002	15.12.2003
Qualification	M.Sc., I.A.S. (Retired)	M. A.
Nature of expertise in specific functional areas	Retired civil servant who had served in various capacities including as Cabinet Secretary, Govt. of India and the Chief Secretary, Govt. of Rajasthan and having vast experience in diversified fields like Industries and Mines, Power, Finance, Agriculture, Home Affairs, Water Resources and Defence. After retirement, served as Senior Advisor to the Prime Minister, Governor of Gujarat and Ambassador of India to the U.S.A. Chaired Committee on Corporate Governance norms and Audit practices. In January 2007 he was awarded “Padma Vibhushan”, by the Hon’ble President of India.	Retired senior executive of Public Sector undertaking and having varied experience in business.
Names of directorship in other companies (only public limited companies have been considered)	<ol style="list-style-type: none"> 1. Bajaj Auto Ltd. 2. Balrampur Chini Mills Ltd. 3. Electrosteel Castings Ltd. 4. AVTEC Ltd. 5. Cairn India Ltd. 6. Gammon Infrastructure Projects Ltd. 7. Bajaj Finserv Limited 8. Bajaj Holdings & Investment Ltd. 9. EROS International Media Limited 	<ol style="list-style-type: none"> 1. India Infoline Ltd. 2. Cinline India Ltd. 3. HM Export Ltd.

Details of Directors seeking reappointment at the ensuing Annual General Meeting : (Contd.)

Names of committees of other companies in which the director is a member	<ol style="list-style-type: none"> 1. Audit Committee of EROS International Media Ltd. 2. Audit Committee of Bajaj Finserv Ltd. 3. Audit Committee of Cairn India Ltd. 4. Audit Committee of Bajaj Auto Ltd. 5. Shareholders' / Investors' Committee of Bajaj Auto Ltd. 6. Audit Committee of Electrosteel Castings Ltd. 7. Audit Committee of Bajaj Holdings & Investment Ltd. 8. Audit Committee of Gammon Infrastructure Projects Ltd. 	<ol style="list-style-type: none"> 1. Audit Committee of India Infoline Ltd. 2. Chairman, Investors Grievance & Share Transfer Committee of India Infoline Ltd. 3. Chairman, Audit Committee of Cinline India Ltd. 4. Chairman, Investors Grievance & Share Transfer Committee of Cinline India Ltd.
No. of shares held in the Company	No	500
Relationships with other Directors	No	No

The above report was placed before and approved by the Board at its Meeting held on 18th November, 2013.

For and on behalf of the Board of Directors

New Delhi
18th November, 2013

C. K. Birla
Chairman

Auditor's Certificate

To
The Members of Hindustan Motors Limited

We have examined the compliance of conditions of corporate governance by Hindustan Motors Limited, for eighteen month period ended on September 30, 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

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

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

Per Raj Agrawal
Partner

Place : New Delhi
Date : November 18, 2013

Membership No.: 82028

Annexure-3 to the Directors' Report

Directors' Responsibility Statement

The Board of Directors confirms that:

- A. In the preparation of the annual accounts, for the eighteen month period ended 30th September, 2013, all the applicable accounting standards have been followed.
- B. The Directors have adopted such accounting policies and have applied them consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the eighteen month period and of the loss of the Company for that period.
- C. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- D. The Directors have prepared the annual accounts on a going concern basis.

For and on behalf of the Board of Directors

New Delhi
18th November, 2013

C. K. Birla
Chairman

Annexure 4 to the Directors' Report

Information under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 (as amended) and forming part of the Directors' Report for eighteen month period ended September 30, 2013

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

Name / (Age)	Designation / Nature of Duties / Experience	Gross Remuneration (₹)	Net Remuneration (₹)	Qualification	Date of Commencement of Employment	Particulars of Last Employment Employer/ Last Post Held / No. of Years - Months.
--------------	---	------------------------	----------------------	---------------	------------------------------------	--

NIL

B) Employed for a part of the financial year (18 month period) and were in receipt of Gross remuneration in aggregate of not less than ₹ 500000/- p.m.

Bose Uttam (52)	Managing Director (27)	29204138	19634063	B. Tech. (Mech.), MBA	02-04-2012	Hero Motors Ltd. / Group CEO / 01-07
Vijayan P (56)	Chief Operating Officer - CCP (37)	10660411	7610027	ACMA	04-04-2012	KMC Constructions / Group CFO/ 01-06

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

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

Nature of employment - Non contractual except Mr. Uttam Bose.

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

CCP denotes Chennai Car Plant (Tiruvallur).

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

For and on behalf of the Board of Directors

New Delhi
18th November, 2013

C. K. Birla
Chairman

Annexure-5 to the Directors' Report

[Additional information given as required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.]

A. ENERGY CONSERVATION

A.I Important measures taken :

At UTP Division :

- a. The maximum demand has been kept at 9648 KVA by taking the following measures :
 1. Monitoring peak load time at different Shops.
 2. Reducing the number of man cooler fans.
 3. Optimum use of air conditioners at plant and office level.
- b. Power factor has been maintained at 0.99 resulting in saving in energy cost.

At CCP Division :

- a. Efficient Diesel Generator installed for substitution of existing Diesel Generator.
- b. Shifting of few production activities to night shift to adapt to scheduled power cuts.
- c. ED Paint Bath temperature increased for chilled water pump & chiller optimal running.
- d. Plant lights utilization minimized by providing in work area only.
- e. Automatic control of canteen lights & fans during service time.
- f. Controlling and monitoring utilization of air conditioning units.
- g. Controlling of Body Shop production lighting & man cooler controlled during lunch time.
- h. Reducing Paint Shop Oven Blower motor capacity without affecting parameters.
- i. Reducing ETP Collection Tank transfer pump motor capacity without affecting parameters.

At PTP Division :

- a. The load demand maintained at 600 KVA.
- b. Power factor is continued to be maintained at 0.97 - 0.98.

A.II. Impact of above energy conservation measures :

- | | | |
|--|---|--------------|
| i) Total savings (CCP) | : | ₹ 12.40 lacs |
| ii) Energy saving per unit of output at | | |
| a. CCP Division | : | ₹ 503 lacs |
| iii) Energy saving against total cost of energy at | | |
| a. CCP Division | : | 2.38% |

B. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

B.I In-house major research & development (R&D)

B.IA At UTP Division

1. Specific areas in which R&D carried out :

- a. Introduction of Ambassador 1.5 Diesel Encore meeting BS-IV emission standards with improved performance.

- b. Compliance of regulatory norms like De-misting system on all Ambassador Models.
 - c. Compliance of regulatory norms like on board diagnostic system on Ambassador Encore 1.5 Diesel BS-IV Model.
 - d. Introduction of Winner 2.0 Diesel model.
 - e. Introduction of Winner 2.0 Diesel Drive Away Chassis.
 - f. Development of Left Hand Drive 1.8 SFI for African Market.
- 2. Benefits derived as a result of above efforts are :**
- a. Introduction of improved performance Ambassador 1.5 Diesel Encore BS-IV has helped reviving sales in BS-IV markets from August, 2013 onwards.
 - b. Compliance of regulatory norms/requirements.
 - c. Introduction of 2 litre Diesel Winner Model has helped revive the Mini Truck sales.
 - d. With the introduction of 2 litre Diesel Winner DAC, exports business with Bangladesh has been initiated.
 - e. Left Hand Drive vehicle is being promoted in Nigeria.
- 3. Future plan of action :**
- a. Compliance of new Central Motor Vehicle Rules on all Ambassador & Winner Models.
 - b. Compliance of BS-IV emission norms on Winner models.
 - c. Adaptation of new generation Petrol & Diesel engine on Ambassador.
 - d. Re-engineering of Ambassador to develop Sub 4 Meter vehicle.

B.IB At CCP Division

- 1. Specific areas in which R&D Carried out :**
- a. Introduction of Pajero Sport Anniversary Edition with 2 DIN touch screen Audio system and Navigation.
 - b. Extension Type Approval for safety parts of Pajero Sport.
 - c. Emission development test on Pajero Sport Automatic Transmission.
- 2. Benefits derived as a result of above efforts are :**
- a. Market sustainability through product upgradation with contemporary features.
 - b. Compliance of regulatory norms/requirements.
 - c. Decision on launch of Pajero Sport 2 Wheel Drive Automatic Transmission.
- 3. Future plans of action :**
- a. Type Approval for in-house manufactured 2 Wheel Drive Pajero Sport Automatic Transmission.
 - b. Development of new features and accessories for Pajero Sport 4 Wheel Drive Manual Transmission.

B.IC At PTP Division

- 1. Specific areas in which R&D carried out :**
- a. Development of low cost localized cabin on Winner Platform (CNG and Diesel).
- 2. Benefits derived as a result of above efforts are :**
- a. Reduction in cost of vehicle.

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

(For all the divisions taken together)

Capital Expenditure	: ₹ 37.28 lacs
Recurring	: ₹ 421.25 lacs
Total	: ₹ 458.53 lacs
Percentage of Turnover	: 0.63 %

B.III Technology imported during the last 5 years :

Technology for	Year of Import	Technology Source / Consultant	Has technology been fully absorbed	If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action
Mitsubishi Montero with Automatic Transmission	2007	Mitsubishi Motors Corporation, Tokyo, Japan	Technology for CBU route has been fully absorbed.	N.A.
Mitsubishi Outlander with Continuous Variable Transmission	2008	-do-	Technology for in-house manufacturing has been fully absorbed	Localisation of chassis parts not taken up due to low volumes
Mitsubishi Lancer Evolution with Variable Transmission	2010	-do-	Technology for CBU route has been fully absorbed	N.A.
Mitsubishi Pajero Sport with 4 Wheel Drive Manual Transmission	2012	-do-	Technology for CBU route and in house manufacturing has been fully absorbed	Localisation of chassis parts is under process

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the eighteen month period under review the FOB value of exports of goods by the Company aggregated to ₹ 40.71 lacs as against the corresponding figure of ₹ 93.14 lacs for the financial year ended 31st March, 2012.

During the eighteen month period ended 30th September, 2013, the Company has imported components/spare parts, vehicles for trading and capital goods for an aggregate CIF value of ₹ 32124.88 lacs (against a corresponding figure of ₹ 19946.35 lacs for the financial year ended 31st March, 2012). During the eighteen month period ended 30th September, 2013, the Company has also incurred expenditure in foreign currency towards Royalties, Technical know-how fees, Professional and Consultation fees, Interest and other expenses aggregating to ₹ 203.84 lacs (against a corresponding figure of ₹ 228.45 lacs for the financial year ended 31st March, 2012).

For and on behalf of the Board of Directors

New Delhi
18th November, 2013

C. K. Birla
Chairman

INDEPENDENT AUDITOR'S REPORT

To the Members of HINDUSTAN MOTORS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Hindustan Motors Limited ("the Company"), which comprise the Balance Sheet as at September 30, 2013, the Statement of Profit and Loss and Cash Flow Statement for eighteen month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 (read with the General Circular 15/2013 dated 13/09/2013 issued by the Ministry of Corporate Affairs) ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at September 30, 2013;
- (b) in the case of the Statement of Profit and Loss, of the loss for eighteen month period ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for eighteen month period ended on that date.

Emphasis of Matter

We draw attention to following notes to the financial statements:

- (a) Note 32 (e) regarding the demand for right of recompense by the Lenders under Corporate Debt Restructuring

Scheme. As stated in the said Note, in view of the Company's request for reduction in the amount of recompense of interest which the Lenders have agreed to consider, no provision against the balance amount of recompense payable (net of ₹ 1500 lacs already paid to the Lenders), if any, is considered necessary by the management.

- (b) Note 32 (f) regarding the demand of Government of West Bengal (GoWB) for payment of ₹ 19447 lacs along with interest thereon in relation to excess realization of the said sum from the sale of land at Hindmotor, West Bengal, in earlier years. As stated in the said Note, the Company is of the view that it has not committed any default of the said Government Order and based on the legal advice obtained by the Company, no provision is considered necessary by the management against the said claim of GoWB.
- (c) Note 46 regarding preparation of these accounts on a going concern basis, although the entire net worth of the Company stands eroded. Management of the Company has initiated various measures to make the operations of the Company viable. These mitigating factors have been more fully discussed in above referred note, in view of which, the accounts have been continued to be prepared under the going concern assumption.

Our opinion is not qualified in respect of above matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 (read with the General Circular 15/2013 dated 13/09/2013 issued by the Ministry of Corporate Affairs);
 - (e) On the basis of written representations received from the directors as on September 30, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on September 30, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

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

Chartered Accountants

ICAI Firm Registration Number : 301003E

Per Raj Agrawal

Partner

Membership No.: 82028

Place : New Delhi

Date : November 18, 2013

Annexure to the Auditor's Report

(Referred to in our Report of even date to the members of Hindustan Motors Limited as at and for eighteen month period ended September 30, 2013)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the period but there is a regular programme of such verification in a phased manner to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In respect of fixed assets lying with third parties, the management has a process of obtaining periodic confirmations. No material discrepancies were noticed on such verification / confirmations during the period.
- (c) There was no disposal of a substantial part of fixed assets during the period.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the period.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. In respect of the material lying with third parties, the management has a process of periodic confirmation and reconciliation with the third parties.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of Clauses 4 (iii)(a) to (d) of the Order are not applicable to the Company and hence, not commented upon.
- (e) The Company has taken loans from Companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the period was ₹ 4,650 lacs and the period-end balance of loans taken from such parties was ₹ 1,300 lacs.
- (f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (g) The loans taken are re-payable on demand. As informed to us, the principal amount was repaid on demand and there has been no default on the part of the Company. The payment of interest has been regular considering the extended period for payment in some cases.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that substantial portion of the items purchased are of a special nature and alternate sources do not exist for obtaining comparative quotations thereof, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register maintained under Section 301 have been so entered.

- (b) In our opinion and according to the information and explanations given to us and having regard to the explanation that purchases of certain items of inventories and fixed assets are of proprietary nature for which alternative sources are not available to obtain comparable quotations, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lacs have been entered into during the financial year at prices are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, related to the manufacture of Vehicles, Spare Parts of Vehicles, Steel Products and Components and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases, except for sales tax, excise duty and land revenue where there have been delays for longer durations.*
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the period-end, for a period of more than six months from the date they became payable, *except for sales tax and land revenue due as mentioned below :*

Nature of the Statute	Nature of dues	Amount (₹ in lacs)	Period to which amount relates	Due date	Date of Payment
The Central Sales Tax Act, 1956	CST	115.54	Jan 2013 – March 2013	Feb 2013 to April 2013	₹ 21.92 lacs paid on October 31, 2013
West Bengal Value Added Tax Act, 2003	VAT	561.39	Jan 2013 – March 2013	Feb 2013 to April 2013	Not paid
The Central Sales Tax Act, 1956	Sales Tax Deferral credit	235.69	July 2012 to January 2013	July 2012 to January 2013	Not paid
West Bengal Sales Tax Act, 1994	Sales Tax Deferral credit	434.53	July 2012 to January 2013	July 2012 to January 2013	Not paid
The West Bengal Land Reforms Act, 1955	Land Revenue	411.30	2008-2013	2008-2013	Not paid

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

Nature of the Statute	Nature of dues	Amount (₹ in lacs)	Period to which amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Dispute on Account of Classification, Cenvat Credit , Assessable Value, Differential Excise Duty, Input Service Tax Credit, Excise Duty on PDI	3962.78	1984-2011	CESTAT, High Court / Commissioner (Appeals) / Commissioner/Assistant / Commissioner of Central Excise/ CESTAT, Joint Commissioner
The Central Sales Tax Act, 1956	Stock Transfer, Non-submission of C/D Forms etc.	743.25	1995-2008	Additional Commissioner of Commercial Taxes /High Court / W.B. Commercial tax appellate & revision Board / Deputy Commissioner
Tamil Nadu Sales Tax, 1959	Additional Sales tax etc.	5.52	1989-1996	Assistant Commissioner
West Bengal Sales Tax Act, 1994	Non Receipt of Sales tax form, Interest, Penalty, Post Return Adjustment etc.	0.37	2003-2004	WB Commercial tax appellate & revision board
West Bengal Value Added Tax Act, 2003	Disallowance of VAT Credit, enhancement of turnover with wrong calculation and taxed	2986.13	2007-2011	Taxation Tribunal of West Bengal / West Bengal Commercial tax Appellate & Revision Board/ Additional Commissioner
Uttar Pradesh Value Added Tax, 2008	Dispute on account of Sale of Vehicle in Uttar Pradesh treated as VAT sales in place interstate sales	173.45	2009-2011	Deputy Commissioner
The Customs Act, 1956	Dispute on account of Classification, Duty on inclusion of Technical Know-how fees on imported goods, import of Engines, Short Levy, etc.	28.42	1990-2006	Commissioner/ Assistant Commissioner Appeals/ Tribunal
M.P. Commercial Tax Act, 1994	Exemption Notification denied by Commissioner Appeal	10.46	2002-2003	Appellate Board, Bhopal

- (x) *The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has incurred cash loss in the current and immediately preceding financial year.*
- (xi) Based on our audit procedures and as per the information and explanations given to by the management, the Company has *overdrawn cash credit borrowings from bank during the period amounting to ₹ 4626.14 lacs which were regularised over a period of time with an overall delay of less than 90 days and out of which ₹ 661 lacs of such overdrawn cash credit borrowings were in arrears as on the balance sheet date.* The Company has not defaulted in repayment of dues to financial institution and has no outstanding dues in respect of debentures.
- (xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, *we report that the Company has used short term funds amounting to ₹ 12863.22 lacs (previous year ₹ 14300 lacs) for long term investment representing acquisition of fixed assets and for financing the operating losses of the Company.*
- (xviii) The Company has not made any preferential allotment of shares to parties or Companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the period.
- (xx) The Company has not raised any money through a public issue during the period.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the period.

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

Chartered Accountants

ICAI Firm Registration Number : 301003E

*Per **Raj Agrawal***

Partner

Membership No.: 82028

Place : New Delhi

Date : November 18, 2013

Balance Sheet as at September 30, 2013

		₹ in lacs	
	Notes	As at September 30, 2013	As at March 31, 2012
EQUITY AND LIABILITIES			
A. SHAREHOLDERS' FUNDS			
Share Capital	2	9247.08	8657.08
Reserves and Surplus	3	(12406.72)	(6141.76)
Warrants		-	361.38
		(3159.64)	2876.70
B. NON-CURRENT LIABILITIES			
Long-Term Borrowings	4	-	2954.03
Deferred Tax Liability (Net)	5	-	877.90
Other Long-Term Liabilities	6	1339.94	518.98
Long-Term Provisions	7	789.62	648.31
		2129.56	4999.22
C. CURRENT LIABILITIES			
Short-Term Borrowings	8	7170.79	9771.49
Trade Payables	9	7982.99	8708.81
Other Current Liabilities	10	11782.86	8632.74
Short-Term Provisions	11	775.61	265.91
		27712.25	27378.95
		26682.17	35254.87
ASSETS			
D. NON-CURRENT ASSETS			
Fixed Assets			
Tangible Assets	12	10517.36	10439.36
Intangible Assets	12	1299.08	436.61
Capital Work-In-Progress		48.66	1515.02
Intangible Assets under Development		23.44	344.31
		11888.54	12735.30
Non-Current Investments	13	1844.76	8531.05
Long-Term Loans and Advances	14	770.66	794.49
Other Non-Current Assets	15	-	-
		14503.96	22060.84
E. CURRENT ASSETS			
Inventories	16	8132.99	6184.57
Trade Receivables	17	2068.39	1966.82
Cash and Bank Balances	18	712.82	3573.67
Short-Term Loans and Advances	19	1258.57	1430.99
Other Current Assets	20	5.44	37.98
		12178.21	13194.03
		26682.17	35254.87
Significant Accounting Policies	1.2		

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

As per our report of even date.

For **S.R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number : 301003E
Per **Raj Agrawal**
Partner
Membership No.: 82028
Place: New Delhi
Date : November 18, 2013

Yogesh Goenka
Chief Financial Officer and
Company Secretary

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

C. K. Birla
Chairman

Uttam Bose
Managing Director

Statement of Profit and Loss for 18 month period from April 1, 2012 to September 30, 2013

		₹ in lacs	
	Notes	2012-2013 (18 Months)	2011-2012 (12 Months)
A. INCOME			
Revenue from Operations (Gross)	21	88077.69	59049.40
Less: Excise Duty		15788.24	9622.96
Revenue from Operations (Net)		72289.45	49426.44
Other Income	22	1173.29	719.16
		73462.74	50145.60
B. EXPENSES			
Cost of Raw Materials and Components Consumed	23	42565.53	31530.53
Purchase of Traded Goods	24	17843.00	10252.98
Decrease / (Increase) in Stocks	25	(1575.91)	335.67
Employee Benefits Expense	26	13614.98	8573.19
Finance Costs	27	3088.90	2028.95
Depreciation and Amortisation Expense	28	2197.16	2179.03
Other Expenses	29	11728.39	8641.70
		89462.05	63542.05
Profit / (Loss) Before Exceptional Items and Tax		(15999.31)	(13396.45)
Add: Exceptional Items	30	8001.22	10056.06
Profit / (Loss) Before Tax		(7998.09)	(3340.39)
[including loss of ₹ 2333.63 lacs (loss of ₹ 4472.06 lacs) for discontinuing operations - Refer Note 47]			
Tax Expenses			
Deferred Tax Charge / (Credit)		(877.90)	(344.10)
Income Tax for Earlier Years (Net of write back)		0.16	(0.63)
Total Tax Expenses / (Credit)		(877.74)	(344.73)
[including credit of ₹ 542.44 lacs (credit of ₹ 486.03 lacs) for discontinuing operations - Refer Note 47]			
Profit / (Loss) for the period		(7120.35)	(2995.66)
[including loss of ₹ 1791.19 lacs (loss of ₹ 3986.03 lacs) for discontinuing operations - Refer Note 47]			
Earning per Equity Share (Nominal value of Share ₹ 5)	33		
Basic	₹	(3.89)	(1.85)
Diluted	₹	(3.89)	(1.85)
Significant Accounting Policies	1.2		

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

As per our report of even date.

For **S.R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number : 301003E
Per **Raj Agrawal**
Partner
Membership No.: 82028
Place: New Delhi
Date : November 18, 2013

Yogesh Goenka
Chief Financial Officer and
Company Secretary

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

C. K. Birla
Chairman

Uttam Bose
Managing Director

Cash Flow Statement for 18 month period from April 1, 2012 to September 30, 2013

	₹ in lacs	
	2012 -2013 (18 Months)	2011 - 2012 (12 Months)
(A) CASH FLOW FROM OPERATING ACTIVITIES :		
NET PROFIT / (LOSS) BEFORE TAX	(7998.09)	(3340.39)
ADJUSTMENTS FOR :		
Depreciation and amortisation Expense	2197.16	2179.03
Exceptional Income	(8001.22)	(10056.06)
Interest Income	(210.97)	(146.12)
Finance Costs	3088.90	2028.95
Unspent Liabilities and Provisions no longer required written back	(666.75)	(366.88)
Provision for doubtful debts and advances (Net)	70.47	47.19
Irrecoverable Debts, Claims and Advances written off	168.12	-
Unrealised Foreign Exchange Loss (Net)	151.86	98.93
Net Loss on Fixed Assets Sold/Discarded	110.20	29.73
Dividend Income	(61.90)	(91.38)
OPERATING (LOSS) BEFORE WORKING CAPITAL CHANGES	(11152.22)	(9617.00)
Movement in working capital		
Increase/(Decrease) in Other Long Term Liabilities	820.96	(111.22)
Increase/(Decrease) in Trade Payable and Other Current Liabilities	2229.43	(5689.34)
Increase/(Decrease) in Long Term provisions	141.31	6.77
Increase/(Decrease) in Short Term provisions	509.70	88.44
Decrease/ (Increase) in Trade Receivables	(1415.81)	74.83
Decrease/ (Increase) in Long-Term Loans and Advances and Other Non- Current Assets	(280.27)	(19.03)
Decrease/ (Increase) in Short-Term Loans and Advances and Other Current Assets	173.29	1919.24
Decrease/ (Increase) in Inventories	(1948.42)	3389.25
CASH USED IN OPERATIONS	(10922.03)	(9958.06)
Add: Current Tax (Paid) / Refund (Net)	15.89	(45.15)
NET CASH USED IN OPERATING ACTIVITIES	(10906.14)	(10003.21)
(B) CASH FLOW FROM INVESTING ACTIVITIES :		
Sale of Fixed Assets	229.98	6536.35
Dividend Received	61.90	91.38
Proceeds from Sale of Investments	14687.51	4999.21
Interest Received on Fixed Deposits and others	222.33	135.18
Purchase of Fixed Assets	(1819.00)	(250.22)
Proceeds from Fixed Deposit Matured	1576.66	-
Investment in Fixed Deposits	-	(1523.09)
NET CASH GENERATED FROM INVESTING ACTIVITIES	14959.38	9988.81
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Long Term borrowings	(1157.54)	(1038.44)
Repayment of Short-Term borrowings	-	(600.00)
Net Increase / (Decrease) in Intercompany Deposits and others	(2600.70)	2396.95
Proceeds from Issue of Share Capital / Warrants	1084.12	1806.88
Interest Paid	(2663.31)	(3390.98)
NET CASH USED IN FINANCING ACTIVITIES	(5337.43)	(825.59)
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	(1284.19)	(839.99)
CASH & CASH EQUIVALENTS - BEGINNING OF THE YEAR	1986.64	2826.63
CASH & CASH EQUIVALENTS - AT THE END OF THE YEAR	702.45	1986.64
Cash and Cash Equivalents as above	702.45	1986.64
Other Bank Balances	10.37	1587.03
Cash and Bank Balances as per Note 18.	712.82*	3573.67

* Includes ₹ 1.95 lacs (₹ 1.95 lacs) lying in Unpaid Dividend Account and ₹ 10.37 lacs (₹ 74.29 lacs) lying as Margin money deposit having restrictive use.

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

As per our report of even date.

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

Chartered Accountants

ICAI Firm Registration Number : 301003E

Per **Raj Agrawal**

Partner

Membership No.: 82028

Place: New Delhi

Date : November 18, 2013

Yogesh Goenka
Chief Financial Officer and
Company Secretary

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

C. K. Birla
Chairman

Uttam Bose
Managing Director

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013

1.0 Nature of Operation :

Hindustan Motors Limited having its manufacturing facilities at Uttarpara, Tiruvallur and Pithampur, is primarily engaged in the manufacture and sale of Vehicles, Spare Parts of Vehicles, Steel Products and Components. The Company is also engaged in Trading of Vehicles and Spare Parts of Vehicles.

1.1 Basis of Preparation :

The financial statements have been prepared to comply in all material respects with the accounting principles generally accepted in India, including mandatory Accounting Standards notified under the Companies (Accounting Standard) Rules, 2006 (as amended) under the historical cost convention and on an accrual basis. The accounting policies, in all material respects, have been consistently applied by the Company and are consistent with those used in the previous year.

1.2 Significant Accounting Policies :

(i) Revenue Recognition :

- (a) Revenue from sale of goods and services rendered is recognised upon passage of title and rendering of services to the customers.
- (b) Insurance and other claims, to the extent considered recoverable, are accounted for in the year of claim. However, claims and refunds whose recovery cannot be ascertained with reasonable certainty are accounted for on acceptance basis.
- (c) Interest is recognised on a time proportion basis taking into account the amount outstanding and rate applicable.
- (d) Dividend income is recognised when the Company's right to receive dividend is established by the reporting date.

(ii) Fixed Assets :

- (a) Fixed Assets are stated at cost of acquisition inclusive of duties (net of Cenvat and Value Added Tax credits), taxes, incidental expenses, erection / commissioning expenses and technical know-how fees etc. up to the date the asset is ready for its intended use, less accumulated depreciation and impairment losses, if any. In case of revaluation of fixed assets, the original cost as written up by the valuer is considered in the accounts and the differential amount is transferred to revaluation reserve.
- (b) Machinery spares which can be used only in connection with an item of fixed asset and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual useful lives of the respective assets.
- (c) The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on external / internal factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in use' of the respective assets. The estimated future cash flows considered for determining the value in use are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets.

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

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

(iii) Foreign Currency Transactions :

(a) Initial Recognition :

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of transaction.

(b) Conversion :

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(c) Exchange Differences :

Exchange differences arising on the settlement / conversion of monetary items are recognised as income or expenses in the year in which they arise.

(d) Forward Exchange contracts not intended for trading or speculation purpose :

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of respective contracts. Exchange differences on such contracts are recognised in the Statement of Profit and Loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(iv) Depreciation :

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

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

- (e) Depreciation on revalued assets is provided at the rates specified under Section 205(2)(b) of the Companies Act, 1956 or at the rates based on their estimated useful lives, whichever is higher.
- (f) Depreciation on fixed assets added / disposed off during the year, is provided on pro-rata basis with reference to the month of addition / disposal.
- (g) In case of impairment, if any, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

(v) Fixed Assets acquired under leases :

(a) Finance Lease :

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

(b) Operating Lease :

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

(vi) Intangibles :

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

Research and Development costs

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

(vii) Investments :

- (a) Investments that are readily realizable and intended to be held for not more than one year, are classified as current investments. All other investments are classified as long-term investments.
- (b) Current Investments are stated at lower of cost or market rate on individual investment basis. Long Term Investments are considered "at cost", unless there is other than temporary decline in value thereof, in which case, adequate provision is made against such diminution in the value of investments.
- (c) Investments in equity shares of foreign companies are considered at the exchange rates prevailing on the date of their acquisition.

(viii) Inventories :

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

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

- (b) The closing stock of materials inter-transferred from one unit to another is valued at cost or net realisable value whichever is lower.
- (c) Net realisable value is the selling price in the ordinary course of business, less costs of completion and costs necessary to make the sale.
- (d) Cost of finished goods and work in progress include direct materials, labour and an appropriate proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

(ix) Excise Duty & Customs Duty :

Excise Duty on Finished Goods stock lying at the factories is accounted for at the point of manufacture of goods and is accordingly considered for valuation of finished goods stock lying in the factories as on the Balance Sheet date. Similarly, Customs Duty on Imported Materials in transit / lying in Bonded Warehouse is accounted for at the time of import / bonding of materials.

(x) Cash & Cash Equivalents :

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

(xi) Derivative Instruments :

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

(xii) Retirement & other employee benefits :

(a) Defined Contribution plans :

Company's contributions to Provident Fund and Superannuation Scheme are charged to Statement of Profit & Loss of the year when the contributions to the respective Funds are due. The Company has no obligations other than the contributions payable to the respective Funds.

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

Gratuity liability and compensated leave liability in the form of accumulated leaves are provided for based on actuarial valuation made at the end of each financial year. The actuarial valuation is done on Projected Unit Credit method. Actuarial gains and losses are recognised immediately in the Statement of Profit & Loss as income or expense.

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

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

(xiii) Borrowing Costs :

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue. Exchange differences arising from foreign currency borrowings to the extent that they are regarded as finance costs in terms of the Accounting Standard 16 are considered as borrowing cost.

(xiv) Provisions :

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on the management estimates required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

(xv) Taxation :

- (a) Tax expenses comprise of current & deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred Income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.
- (b) Deferred tax is accounted for using the tax rates and laws that have been substantively enacted at the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward unabsorbed depreciation and tax losses, all deferred tax assets are recognised only to the extent there is virtual certainty supported by convincing evidence that sufficient taxable income will be available against which such deferred tax assets can be realised.
- (c) At each Balance Sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

(xvi) Segment Reporting :

(a) Identification of Segments :

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

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

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

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

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

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

Provision for product related warranty 'costs' is based on the claims received up to the year end as well as the management estimates of further liability to be incurred in this regard during the warranty period, computed on the basis of past trend of such claims.

(xviii) **Contingencies :**

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

(xix) **Earnings per share :**

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

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(xx) **Use of Estimates :**

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

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

₹ in lacs

As at
September 30, 2013 As at
March 31, 2012

A. SHAREHOLDERS' FUND

NOTE 2 : SHARE CAPITAL

Authorised

33,00,00,000 (33,00,00,000) Equity Shares of ₹ 5 each	16500.00	16500.00
55,00,00,000 (55,00,00,000) Unclassified Shares of ₹ 100 each	5500.00	5500.00
	22000.00	22000.00

Issued

18,51,89,297 (17,33,89,297) Equity Shares of ₹ 5 each	9259.46	8669.46
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Subscribed and Paid-up

18,47,71,993 (17,29,71,993) Equity Shares of ₹ 5 each fully paid up	9238.60	8648.60
Add : Forfeited Shares (amount originally paid-up)	8.48	8.48
	9247.08	8657.08

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

Equity Shares - Subscribed and Paid up (Nos.)

At the beginning of the period	17,29,71,993	16,11,71,993
Add : Issue of Equity Shares	-	1,18,00,000
Add : Issue of Equity Shares on conversion of Warrants	1,18,00,000	-
Outstanding at the end of the period	18,47,71,993	17,29,71,993

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

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

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

- c) During the period, the Company's promoter/promoter group companies were allotted 1,18,00,000 Equity Shares of face value of ₹ 5 each at a premium of ₹ 7.25 per share on 19th June, 2012 on exercising their option of conversion of 1,18,00,000 warrants allotted to them on preferential basis on 12th March, 2012. The equity shares allotted on 19th June, 2012 are locked in up to 18th June, 2015 i.e. for a period of three years from the date of allotment. The existing holding of such promoter/promoter group companies to the extent of 1,18,00,000 Equity Shares are also locked in up to 11th March, 2015 i.e. for a period of three years from the date of allotment.
- d) As per records of the Company, details of Shareholders holding more than 5% Equity Shares in the Company as on the balance sheet date.

Name of Shareholders	As at September 30, 2013		As at March 31, 2012	
	No. of Shares	% of Holding	No. of Shares	% of Holding
National Bearing Co. (Jaipur) Ltd.	2,26,12,354	12.24%	2,26,12,354	13.07%
Central India Industries Ltd.	1,84,00,600	9.96%	1,20,00,600	6.93%

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

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

	₹ in lacs	
	As at September 30, 2013	As at March 31, 2012
A. SHAREHOLDERS' FUND		
NOTE 3 : RESERVES AND SURPLUS		
a) Capital Reserve		
As per last account	3.53	3.53
b) Securities Premium Account		
As per last year	855.50	–
Add : Received on Issue of Shares	855.50	855.50
	<u>1711.00</u>	<u>855.50</u>
c) Revaluation Reserve		
As per last account	756.28	771.12
Less : Adjusted towards assets sold	–	14.24
Less : Transferred to Depreciation Account	0.11	0.60
	<u>756.17</u>	<u>756.28</u>
d) Central Subsidy		
As per last account	15.00	15.00
e) Surplus / (Deficit) in the Statement of Profit and Loss		
As per last account	(7772.07)	(4776.41)
Add: Profit / (Loss) for the period	(7120.35)	(2995.66)
	<u>(14892.42)</u>	<u>(7772.07)</u>
	<u><u>(12406.72)</u></u>	<u><u>(6141.76)</u></u>

B. NON-CURRENT LIABILITIES

NOTE 4 : LONG TERM BORROWINGS

SECURED

Term Loans from		
Banks	–	1389.63
Financial Institutions	–	369.03
	<u>–</u>	<u>1758.66</u>

UNSECURED

Sales Tax Deferral Credit	–	1195.37
	<u>–</u>	<u>2954.03</u>

- a) Term Loans Nil (₹ 1758.66 lacs) also included in Note 10 - Current Maturities of Long-Term Borrowings ₹ 879.33 lacs from the Financial Institutions and Banks together with interest and other charges thereon, are secured by a mortgage on a part of the Company's land with other immovable assets thereon, both present and future, and by way of a hypothecation charge over all the movable assets including book debts of the Company. These charges along with those referred to in Note 8(a) rank pari-passu amongst various Financial Institutions and Banks.
- b) Term Loans from Banks carry interest @ 10.897% p.a. on monthly rest. These Loans are due for repayment during the period from October 1, 2013 to March 31, 2014 in equal monthly / quarterly installments.
- c) Term Loans from Financial Institutions carry interest @11% p.a. on quarterly rest. These Loans are due for repayment during the period from October 1, 2013 to March 31, 2014 in equal monthly / quarterly installments.
- d) Sales Tax Deferral Credit is interest free.

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

	₹ in lacs	
	As at September 30, 2013	As at March 31, 2012
B. NON-CURRENT LIABILITIES		
NOTE 5 : DEFERRED TAX LIABILITY (NET)		
Deferred tax liability arising on account of :		
Timing Difference in Depreciable Assets	2316.53	2633.91
Deferred tax assets arising on account of :		
Expenses allowable against taxable income in future years	1425.57	1189.97
Unabsorbed depreciation	1036.17	566.04
	<u>2461.74</u>	<u>1756.01</u>
	(145.21)	877.90
Less : Deferred Tax Asset not recognised (Refer Note below)	<u>145.21</u>	<u>-</u>
	<u>-</u>	<u>877.90</u>
	<u>-</u>	<u>877.90</u>
<p>In terms of accounting policy (1.2)(xv)(b) followed by the Company, deferred tax assets of ₹ 3965.78 lacs (₹ 3846.16 lacs) have not been recognised in the accounts including ₹ 3820.57 lacs (₹ 3846.16 lacs), arising on account of carried forward unabsorbed business losses.</p>		
NOTE 6 : OTHER LONG TERM LIABILITIES		
Trade Payables	285.32	-
Amount payable under Voluntarily Retirement Schemes	96.73	222.22
Payable against Purchase of Fixed Assets	583.12	-
Security and Other Deposits	374.77	296.76
	<u>1339.94</u>	<u>518.98</u>
	<u>1339.94</u>	<u>518.98</u>
NOTE 7 : LONG-TERM PROVISIONS		
Gratuity (Refer Note 38)	721.33	290.03
Leave Liability	-	354.82
Warranties (Refer Note 34)	68.29	3.46
	<u>789.62</u>	<u>648.31</u>
	<u>789.62</u>	<u>648.31</u>

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

	₹ in lacs	
	As at September 30, 2013	As at March 31, 2012
C. CURRENT LIABILITIES		
NOTE 8 : SHORT TERM BORROWINGS		
SECURED		
From Banks		
Cash Credits	993.25	268.25
Buyers Credit in foreign currency	2612.54	1493.24
	<u>3605.79</u>	<u>1761z.49</u>
UNSECURED		
Deposits from :		
Subsidiary companies	-	510.00
Associate company (Ceased to be a subsidiary and became associate w.e.f. September 26, 2013)	515.00	-
Other Bodies corporate	3050.00	7500.00
	<u>3565.00</u>	<u>8010.00</u>
TOTAL	<u><u>7170.79</u></u>	<u><u>9771.49</u></u>

- a) Cash Credits facilities from Banks ₹ 993.25 lacs (₹ 268.25 lacs) and buyers credit ₹ 2612.54 lacs (₹ 1493.24 lacs) together with interest and other charges thereon, are secured by a mortgage on a part of the Company's land together with other immovable assets thereon, both present and future, and by way of a hypothecation charge over all the movable assets including book debts of the Company. Cash Credit is repayable on demand and carries interest @ 10.897% p.a. on monthly rest. Buyers credit is taken for a period ranging from 3 to 6 months and carries interest ranging from Libor plus 0.57% to 0.65% p.a. The charges referred above along with those referred to in Note. 4 (a) rank pari-passu amongst various Financial Institutions and Banks.
- b) Inter corporate deposits are generally taken for a term of three months, while some of them are also payable on demand. Aggregate amount of Loans payable on demand amounts to ₹ 1565.00 lacs (₹ 3535.00 lacs).
- c) As at September 30, 2013, the Company has overdrawn ₹ 661.00 lacs in cash credits from banks.

NOTE 9 : TRADE PAYABLES

Goods and Services	<u>7982.99</u>	<u>8708.81</u>
[Including Acceptances ₹ 1851.09 lacs (₹ 2852.49 lacs)]		
(Refer Note 36 for details of dues to micro and small enterprises)		

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

₹ in lacs

As at
September 30, 2013 As at
March 31, 2012

C. CURRENT LIABILITIES

NOTE 10 : OTHER CURRENT LIABILITIES

Current maturities of Long-Term Borrowings :

Sales Tax Deferral Credit	1791.50	874.34
Term Loan from		
Banks	694.82	-
Financial Institutions	<u>184.51</u>	<u>-</u>
Current portion of amount payable under		
Voluntarily Retirement Schemes	97.67	157.22
Interest accrued on borrowings :		
Due	244.96	3.11
Not due	65.47	57.07
Advance against Sales / Sale of Fixed Assets	277.47	1543.27
Statutory dues payable	4295.58	2369.40
Payable against Purchase of Fixed Assets		
[Including Acceptances Nil (₹ 898.30 lacs)]	723.09	969.61
Liabilities for Expenses on Employee Benefits	1604.58	1005.25
Liabilities for Other Expenses	1039.09	1113.48
Other Payables	746.64	530.91
Security and Other Deposits	15.53	7.13
Investor Education and Protection Fund *		
Unpaid Dividend	1.95	1.95
	<u>11782.86</u>	<u>8632.74</u>

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

Note : Sales tax deferral credit of ₹ 1791.50 lacs includes ₹ 1061.87 lacs as detailed below, which became due during the period but not paid as on the Balance Sheet date.

	₹ in lacs	
<u>Due date</u>	<u>Principal Amount</u>	<u>Interest</u>
April 30, 2012	-	9.13
July 31, 2012	172.38	24.14
October 31, 2012	234.97	25.80
January 31, 2013	188.78	15.02
April 30, 2013	279.23	14.05
July 31, 2013	186.51	3.74
	<u>1061.87</u>	<u>91.88</u>

NOTE 11 : SHORT-TERM PROVISIONS

Gratuity (Refer Note 38)	-	71.11
Leave Liability	634.86	28.11
Warranties (Refer Note 34)	140.75	166.69
	<u>775.61</u>	<u>265.91</u>

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013

(Contd.)

NOTE 12 : FIXED ASSETS

₹ in lacs

Particulars	Tangible Assets							Intangible Assets				
	Freehold Land	Leasehold Land	Buildings (b) & (c)	Plant & Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Total	Software	Technical Know How	Product Development	Total
At Cost or Revalued Amount												
<i>As at April 1, 2011</i>	694.81	30.16	9279.16	34750.50	532.72	963.02	898.81	47149.18	122.60	807.47	-	930.07
Additions	-	-	12.06	173.60	3.08	35.26	120.15	344.15	100.44	5.01	-	105.45
Disposals	-	12.44	112.51	33.57	49.08	43.92	140.74	392.26	-	-	-	-
<i>As at March 31, 2012</i>	694.81	17.72	9178.71	34890.53	486.72	954.36	878.22	47101.07	223.04	812.48	-	1035.52
Additions (a)	-	-	19.04	1975.85	2.76	3.48	162.10	2163.23	8.27	1119.62	186.69	1314.58
Disposals	-	-	-	4359.74	9.12	166.49	369.35	4904.70	-	138.75	-	138.75
<i>As at September 30, 2013</i>	694.81	17.72	9197.75	32506.64	480.36	791.35	670.97	44359.60	231.31	1793.35	186.69	2211.35
Depreciation												
<i>As at April 1, 2011</i>	-	7.34	5211.17	28182.46	406.60	715.96	373.05	34896.58	24.16	373.92	-	398.08
Charge for the year	-	0.22	205.78	1562.95	16.42	56.26	137.17	1978.80	53.56	147.27	-	200.83
Disposals	-	3.24	74.94	22.37	19.40	39.70	54.02	213.67	-	-	-	-
<i>As at March 31, 2012</i>	-	4.32	5342.01	29723.04	403.62	732.52	456.20	36661.71	77.72	521.19	-	598.91
Charge for the period	-	0.28	306.41	1188.47	27.65	77.82	144.53	1745.16	77.32	368.57	6.22	452.11
Disposals	-	-	-	4198.38	5.17	154.00	207.08	4564.63	-	138.75	-	138.75
<i>As at September 30, 2013</i>	-	4.60	5648.42	26713.13	426.10	656.34	393.65	33842.24	155.04	751.01	6.22	912.27
Net Block												
<i>As at March 31, 2012</i>	694.81	13.40	3836.70	5167.49	83.10	221.84	422.02	10439.36	145.32	291.29	-	436.61
<i>As at September 30, 2013</i>	694.81	13.12	3549.33	5793.51	54.26	135.01	277.32	10517.36	76.27	1042.34	180.47	1299.08

Notes :

(a) Includes Capital Expenditure on Scientific Research ₹ 37.28 Lacs (₹ 57.88 Lacs).

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

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

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

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

				₹ in lacs	
				As at	As at
				September 30, 2013	March 31, 2012
D. NON-CURRENT ASSETS					
		Number of	Face Value		
		Shares	Per Share		
			₹		
NOTE : 13 NON CURRENT INVESTMENTS					
OTHER THAN TRADE-FULLY PAID (UNQUOTED) (AT COST)					
GOVERNMENT SECURITIES					
12 Year National Planning Certificates				0.02	0.02
12 Year National Defence Certificates				0.02	0.02
National Saving Certificates (Matured but pending encashment)				0.06	0.06
				<u>0.10</u>	<u>0.10</u>
EQUITY SHARES					
Birla Buildings Limited	30000	(30000)	10	3.00	3.00
Pithampur Auto Cluster Limited	50000	(50000)	10	5.00	5.00
Bengal Shriram Hitech City Private Limited	2000	(2000)	10	0.20	0.20
AVTEC Limited	10000	(-)	10	5.64	-
				<u>13.84</u>	<u>8.20</u>
EQUITY SHARES IN SUBSIDIARY COMPANIES					
Hindustan Motor Finance Corporation Ltd.	500000	(250000)	5 (10)	25.05	25.05
HM Export Limited (Ceased to be a subsidiary company w.e.f. September 26, 2013)	-	(4599857)	10	-	6825.21
Common Stock					
Hindustan Motors Limited (Incorporated in the State of Delaware, USA)	100000	(100000)	US \$4	163.09	163.09
Less : Diminution in the value of Investment				163.09	163.09
				<u>-</u>	<u>-</u>
				<u>25.05</u>	<u>6850.26</u>
EQUITY SHARES IN ASSOCIATE COMPANY					
AVTEC Limited (Ceased to be associate w.e.f. March 28, 2013)	-	(2965000)	10	-	1672.49
HM Export Limited (Became associate w.e.f. September 26, 2013)	1217000	(-)	10	1805.77	-
				<u>1805.77</u>	<u>1672.49</u>
				<u>1844.76</u>	<u>8531.05</u>

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

	₹ in lacs	
	As at September 30, 2013	As at March 31, 2012
D. NON-CURRENT ASSETS		
NOTE 14 : LONG-TERM LOANS AND ADVANCES		
Unsecured considered good		
Advance against Capital Contracts	30.04	148.25
Advances Recoverable in cash or in kind or for value to be received or pending adjustments	127.27	—
Advance payment of Income Tax and Refunds Receivable (Net of provisions)	79.72	95.77
Deposits with Government Department and Others	176.30	172.46
Sales tax, VAT and Other Refunds Receivable (Including amount paid under appeal)	347.27	378.01
Prepaid Expenses	10.06	—
	770.66	794.49
Unsecured considered doubtful		
Advance against Capital Contracts	10.67	18.03
Deposits with Government Department and Others	89.04	97.77
Balances with Customs, Port Trust & Other Government Departments	2.44	2.44
Sales tax, VAT and Other Refunds Receivable (Including amount paid under appeal)	55.09	51.93
	157.24	170.17
Less : Provision for Doubtful Loans and Advances	157.24	170.17
	—	—
	770.66	794.49
NOTE 15 : OTHER NON-CURRENT ASSETS		
Unsecured Considered Doubtful		
Insurance & Other Claims	414.53	414.53
Export Incentives Receivable	8.80	7.29
	423.33	421.82
Less : Provision for Doubtful Claims	423.33	421.82
	—	—
	—	—
E. CURRENT ASSETS		
NOTE 16 : INVENTORIES		
At lower of cost and net realisable value		
Stores and Spares	152.76	110.76
Loose Tools	111.72	122.42
Raw Materials and Components [Including in transit ₹ 78.43 lacs (₹ 721.33 lacs)]	3707.14	3302.26
Goods under process*	790.29	679.43
Finished Goods*	2008.45	509.26
Traded Goods [including in transit ₹ 154.56 lacs (₹ 23.06 lacs)]*	1362.63	1460.44
	8132.99	6184.57

* Refer Note 25.

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

₹ in lacs

	As at September 30, 2013	As at March 31, 2012
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E. CURRENT ASSETS

NOTE 17 : TRADE RECEIVABLES

Debts outstanding for a period exceeding six months from the date they are due

Considered good

Secured

40.39 12.07

Unsecured

104.20 144.59 60.27 72.34

Considered doubtful - Unsecured

301.83 255.58

446.42 327.92

Less : Provision for Doubtful Trade Receivables

301.83 255.58

144.59 72.34

Other Debts

Secured

290.57 114.18

Unsecured

1633.23 1780.30

1923.80 1894.48

2068.39 **1966.82**

NOTE 18 : CASH AND BANK BALANCES

Cash and Cash Equivalents

Cash-on-hand

1.93 6.43

Balances with Banks

Current Account

698.56 1165.06

Deposits with original maturity of 3 months or less

– 714.49

Unpaid Dividend Account

1.95 1.95

Remittances in transit

0.01 700.52 98.71 1980.21

702.45 1986.64

Other Bank Balances

Margin Money Deposits

10.37 74.29

Deposits with original maturity of more than 3 months but less than 12 months

– 1500.10

Deposits with original maturity of more than 12 months

– 10.37 12.64 1587.03

712.82 **3573.67**

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

	₹ in lacs	
	As at September 30, 2013	As at March 31, 2012
E. CURRENT ASSETS		
NOTE 19 : SHORT-TERM LOANS AND ADVANCES		
Unsecured considered good		
Advances Recoverable in cash or in kind or for value to be received or pending adjustments	449.09	478.14
Sales tax, VAT and Other refunds receivable	548.55	624.12
Balances with Customs, Port Trust & Other Government Departments	138.96	145.67
Deposits with Government Department and Others	–	12.76
Prepaid Expenses	121.97	170.30
	1258.57	1430.99
Unsecured considered doubtful		
Loan to Hindustan Motors Limited, USA, a subsidiary company	107.65	107.65
Advances recoverable in cash or in kind or for value to be received or pending adjustments	91.33	71.31
	198.98	178.96
Less : Provision for Doubtful Loans and Advances	198.98	178.96
	–	–
	1258.57	1430.99
NOTE 20 : OTHER CURRENT ASSETS		
Unsecured considered good		
Interest accrued on Deposits	0.23	11.59
Insurance & Other Claims receivable	–	24.88
Export Incentives receivable	–	1.51
Forward contracts receivable	5.21	–
	5.44	37.98

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

₹ in lacs

2012-2013
(18 months) 2011-2012
(12 Months)

A. INCOME**NOTE 21 : REVENUE FROM OPERATIONS**

Sale of Products (Including traded)				
Vehicles	77141.59		49959.88	
Spare Parts of Vehicles	8746.31		6213.17	
Steel Products and Components	1253.62	87141.52	2239.63	58412.68
Other Operating Revenues		936.17		636.72
		<u>88077.69</u>		<u>59049.40</u>

Note :

- Sales includes excise duty, delivery charges and is after adjusting incentives/ discounts.
- Sales is net off sales return against sales made in earlier years ₹ 188.51 lacs (₹ 93.98 lacs).
- Traded goods (Vehicles and Spare parts) have been included above.

NOTE 22 : OTHER INCOME

Interest on Debts, Deposits, Advances etc.		210.97		146.12
Dividend Income on Non Current Investments (Other than Trade)		61.90		91.38
Unspent Liabilities and Provisions no longer required written back		666.75		366.88
Other Non-Operating income		233.67		114.78
		<u>1173.29</u>		<u>719.16</u>

B. EXPENSES**NOTE 23 : COST OF RAW MATERIALS AND COMPONENTS CONSUMED**

Opening Stock		3302.26		6204.53
Add : Purchases		42994.41		28641.29
		46296.67		34845.82
Less: Transferred to Other Expenses	23.69		12.15	
Sales	0.31		0.88	
Closing Stock	3707.14	3731.14	3302.26	3315.29
		<u>42565.53</u>		<u>31530.53</u>

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

DETAILS OF RAW MATERIALS AND COMPONENTS CONSUMED

Steel Sheets, Plates and Flat Steel		1297.57		700.16
Bar, Billets, Channels and Angles		1083.81		1220.68
Pig Iron and Scrap		145.72		229.30
Tyres and Tubes		1151.82		659.64
Power Units		7475.66		4476.21
Other Components and Production Stores (Including processing charges) (Each being less than 10% of total value of consumption)		31410.95		24244.54
		<u>42565.53</u>		<u>31530.53</u>

NOTE 24 : PURCHASE OF TRADED GOODS

Vehicles		12698.49		6547.47
Spare Parts of Vehicles		5144.51		3705.51
		<u>17843.00</u>		<u>10252.98</u>

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

₹ in lacs

2012-2013
(18 months) 2011-2012
(12 Months)

B. EXPENSES

NOTE 25 : DECREASE / (INCREASE) IN STOCKS

Closing Stock

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

Opening Stock

Goods under Process				
Vehicles	547.54		906.38	
Steel Products and Components	131.89	679.43	169.57	1075.95
Finished Goods				
Vehicles	445.64		467.89	
Spare Parts of Vehicles	41.09		26.99	
Steel Products and Components	22.53	509.26	26.93	521.81
Traded Goods				
Vehicles	177.72		450.02	
Spare Parts of Vehicles	1282.72	1460.44	1080.49	1530.51
		2649.13		3128.27

Transferred to tangible fixed assets

	(1512.24)		479.14
	63.67		143.47
	(1575.91)		335.67

NOTE 26 : EMPLOYEE BENEFITS EXPENSE

Salaries, Wages and Bonus	11576.30	7429.17
Contribution to Provident, Gratuity & Other Funds	1380.64	681.44
Welfare Expenses	658.04	462.58
	13614.98	8573.19

NOTE 27 : FINANCE COSTS

Interest Expense	2677.37	1701.95
Bank charges and Others	411.53	327.00
	3088.90	2028.95

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

₹ in lacs

	2012-2013 (18 months)	2011-2012 (12 Months)
B. EXPENSES		
NOTE 28 : DEPRECIATION AND AMORTISATION EXPENSE		
On Tangible Assets	1745.16	1978.80
On Intangible Assets	452.11	200.83
	<u>2197.27</u>	<u>2179.63</u>
Less : Transfer from Revaluation Reserve being Depreciation on revaluation amount of Fixed Assets	0.11	0.60
	<u>2197.16</u>	<u>2179.03</u>
NOTE 29 : OTHER EXPENSES		
Consumption of Stores and Spares	1262.69	881.19
Decrease / (Increase) in Excise duty on Stocks	415.94	77.98
Fuel and Electricity (Net)	2620.43	1453.83
Rent and Hire charges	292.57	124.76
Building Repairs	58.79	57.87
Machinery Repairs	278.81	153.04
Insurance	93.49	74.77
Rates and Taxes	261.05	168.39
Royalty	90.13	72.80
Advertising, Selling expenses and Claims (Net)	1062.12	1958.23
Delivery Charges, Freight & Transportation	144.81	155.77
Auditors' Remuneration :		
As Auditor		
Audit fee	25.00	25.00
Limited review fee	25.00	14.40
Certification and other services fee	16.36	6.45
Out of pocket expenses	5.47	2.90
In Other capacity		
Audit of Tax accounts	7.50	-
Tax audit fee	15.00	7.50
Certification and other services fee	2.98	4.10
Exchange Rate Difference (Net)	1671.34	691.58
Directors' Travelling	28.22	16.83
Cost Auditors' Remuneration	4.50	2.50
Legal and Professional Service charges	780.73	791.37
Miscellaneous Expenses	2216.67	1823.52
Provision for Doubtful Debts, Claims and Advances	86.86	85.39
Less : Written back	<u>16.39</u>	<u>38.20</u>
Irrecoverable Debts, Claims and Advances written off	183.74	14.52
Less : Adjusted against provision	<u>15.62</u>	<u>14.52</u>
Net Loss on Fixed Assets sold / discarded	110.20	29.73
	<u>11728.39</u>	<u>8641.70</u>
NOTE 30 : EXCEPTIONAL ITEMS		
Surplus on Sale of Non Current Investments	8001.22	3269.18
Surplus on Sale of Land and Buildings	-	6786.88
	<u>8001.22</u>	<u>10056.06</u>

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

	₹ in lacs	
	As at September 30, 2013	As at March 31, 2012
31. Estimated amount of contracts remaining to be executed on capital account and other Commitments and not provided for (Net of advances.)	215.21	1327.11
32. Contingent Liabilities not provided for in respect of :		
(a) Claims & Government demands against the Company not acknowledged as debts		
i) Excise Duty	3062.13	6397.44
ii) Sales Tax	3843.80	726.12
iii) Customs Duty	373.50	370.72
iv) Service Tax	911.83	797.49
v) Others	738.59	740.01

The Company does not expect any major impact to arise out of the above claims / demands. Against the above claims / demands, payments have been made under protest and / or debts have been withheld by the respective parties, to the extent of ₹ 454.32 lacs (₹ 452.59 lacs).

Included in the above are contingent liabilities to the extent of ₹ 1187.20 lacs (₹ 1617.57 lacs) relating to the pre-transfer period of the erstwhile Power Unit Plant and Power Products Division of the Company, which were transferred to AVTEC Limited in June 2005. However, demands to the extent of ₹ 667.29 lacs (₹ 1171.54 lacs) are covered by counter guarantees by the customers.

- (b) Outstanding Bank Guarantees for import of materials and other accounts. 527.42 521.36
- (c) Bonus for the years 1963-64 to 1967-68 at Uttarpara unit is under adjudication (amount indeterminate). The Company contends that no liability exists in this regard under the Payment of Bonus Act, 1965.
- (d) Demands for incremental Dearness Allowance during the years 2001 to 2007 at Uttarpara Unit are under adjudication (amount not ascertained). However, majority of the employees unions have filed joint petition for withdrawal of the case.
- (e) The Company is under Corporate Debt Restructuring Scheme. In view of recent circular about "windfall profit / extra ordinary income" triggering the right of recompense and the Company's sale of property at Halol, Gujarat, the Lenders of the Company have quantified the claim of recompense of interest at ₹ 6554 lacs. The Company has requested the Lenders to take a reasonable view based on Company's financial position and past track record, which the Lenders have agreed to consider. Pending final decision in the matter, the Company had paid a sum of ₹ 1500 lacs to the Lenders in April 2011, which was accounted for under Interest Expense during the year 2010-11. In view of the above, no further provision there against is considered necessary by the Management.
- (f) The Company had sold 314 acres of land at Hindmotor, West Bengal, in earlier years, in pursuance of a development agreement, after taking prior approval from Government of West Bengal (GoWB) and in accordance with the Government Order issued by the GoWB.

The GoWB has alleged that the Company has realized an excess sum of ₹ 19447 lacs from the sale of said land and it should refund the said amount along with interest thereon. The Company is of the view that it has not committed any default of the said Government Order. The Company has also been legally advised that there is no liability on the Company to make any payment against the alleged demand. Accordingly, the Company has denied and disputed the allegations. Since the contentions of GoWB are being contested by the Company, including in the proceedings for demerger initiated by the Company, no provision is considered necessary by the management against the said claim.

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

33. Earnings per Share (EPS)

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

	₹ in lacs	
	2012-13 (18 Months)	2011-12 (12 Months)
Profit/(Loss) after tax as per statement of profit & loss	(7120.35)	(2995.66)
Weighted average No. of Equity Shares outstanding during the period	183070898	161624596
Weighted number of potential Equity Shares	184771993	161737746
Nominal value of Shares (₹)	5	5
Basic EPS (₹)	(3.89)	(1.85)
Diluted EPS (₹)	(3.89)	(1.85)

34. Movement in Provisions for Warranties is as follows:

₹ in lacs				
<i>As at March 31, 2012</i>	Additions	Amount utilised	Amount written back	<i>As at September 30, 2013</i>
170.15	222.29	121.88	61.52	209.04
(169.40)	(198.91)	(184.61)	(13.55)	(170.15)

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

- (i) JPY / USD of JPY 430.00 lacs (JPY / USD of JPY 4569.50 lacs).
- (ii) USD / INR of USD 6.55 lacs (USD / INR of USD 29.10 lacs).

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

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

₹ in lacs			
Sr. No.	Particulars	<u>As at September 30, 2013</u>	<u>As at March 31, 2012</u>
(i)	Trade Payable for Purchases of Goods / Fixed Assets	2311.89	2880.06
(ii)	Short Term - Advance against supplies/others	224.79	565.39
(iii)	Short Term borrowings - Buyers Credit	2612.55	1493.24
(iv)	Other Payables	14.93	-

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

36. Based on the information / documents available with the Company, information as per the requirement of Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 are as under:

	₹ in lacs	
	2012-13 (18 Months)	2011-12 (12 Months)
(i) Principal amount remaining unpaid to any supplier at the end of accounting period	518.22	563.95
(ii) Interest due on above	26.05	26.02
Total of (i) & (ii)	544.27	589.97
(iii) Amount of interest paid/adjusted by the Company to the suppliers	213.14	26.92
(iv) Amounts paid to the suppliers beyond the respective due date	1639.80	933.75
(v) Amount of interest due and payable for the period of delay in payments but without adding the interest specified under the Act	-	-
(vi) Amount of interest accrued and remaining unpaid at the end of accounting period	409.85	413.36
(vii) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of this Act.	-	-

37. Details of Research costs :

Particulars	₹ in lacs			
	Capital Expenditure		Revenue Expenditure	
	2012-2013 (18 Months)	2011-2012 (12 Months)	2012-2013 (18 Months)	2011-2012 (12 Months)
Uttarpara Unit (UTP)	37.28	44.75	371.19	382.53
Chennai Car Plant (CCP)	-	-	46.99	105.65
Pithampur Plant (PTP)	-	13.13	3.07	0.68
	37.28	57.88	421.25	488.86

38. Disclosure for the period ended September 30, 2013 under Accounting Standard-15 (Revised) on 'Employee Benefits'

	₹ in lacs	
	2012-13	2011-12
A. Defined Contribution Plan		
Contribution to Provident Fund	828.79	529.55
Contribution to Superannuation Fund	44.88	35.12
B. Defined Benefit Plan		

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets Gratuity on terms not lower than the amount payable under the Payment of Gratuity Act, 1972. The aforesaid scheme is funded with Insurance Company. The following table summarises the components of net benefit expenses recognised in Statement of Profit & Loss and the funded status and amount recognised in the Balance Sheet for the respective plan.

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

		₹ in lacs				
Sl.	Particulars	2012-13	2011-12			
	Gratuity					
I	Net Employee Expense / (Benefit)					
1	Current Service Cost	212.19	122.35			
2	Interest cost on benefit obligation	276.10	175.78			
3	Expected Return on plan assets	(244.05)	(152.33)			
4	Net Actuarial gain/(loss) recognised in the period	187.14	(58.10)			
5	Total employee expenses recognised in Statement of Profit & Loss	431.38	87.70			
II	Actual Return on Plan Assets	244.05	152.33			
III	Benefit Asset/(Liability)					
1	Defined benefit obligation	2761.90	2275.24			
2	Fair Value of Plan Assets	2040.57	1914.10			
3	Benefit Asset/(Liability)	(721.33)	(361.14)			
IV	Movement in Benefit Liability					
1	Opening defined benefit obligation	2275.24	2116.77			
2	Interest cost	276.10	175.78			
3	Current Service Cost	212.19	122.35			
4	Benefits paid	(219.49)	(97.47)			
5	Actuarial (gains) / losses on obligation	217.86	(42.19)			
6	Closing benefit obligation	2761.90	2275.24			
V	Movement in Fair Value of Plan Assets					
1	Opening fair value of plan assets	1914.10	1792.06			
2	Expected Return on plan assets	244.05	152.32			
3	Contribution by employer	71.19	51.27			
4	Benefits paid	(219.49)	(97.47)			
5	Actuarial gains / (losses) on plan assets	30.72	15.92			
6	Closing fair value of plan assets	2040.57	1914.10			
VI	The Principal actuarial assumptions are as follows					
1	Discount Rate	8.50%	8.50%			
2	Salary increase	4.00%	4.00%			
3	Withdrawal Rate	Varying between 1% & 2% per annum depending upon duration and age of the employees.				
4	Expected rate of return on Plan assets	8.50%	8.50%			
VII	The major categories of Plan Assets as a percentage of fair value of the total plan assets					
	Investment with Insurer	100%	100%			
VIII.	Amounts for the current and previous years are as follows :					
		2012-13	2011-12	2010-11	2009-10	2008-09
1.	Defined benefit obligation	2761.90	2275.24	2116.77	1795.72	1610.58
2.	Plan Assets	2040.57	1914.10	1792.06	1698.07	1162.20
3.	Surplus / (Deficit)	(721.33)	(361.14)	(324.71)	(97.65)	(448.38)

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

Note :

- The estimates of future salary increase considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- The Company expects to contribute ₹ 90.00 lacs (₹ 120.00 lacs) to Gratuity fund from October 1, 2013 to March 31, 2014.
- Experience adjustment on plan assets & liabilities has been considered in the valuation report as certified by the actuary, which is not readily available and hence not disclosed separately.

39. Related Party Disclosures :

(a) Name of the related parties :

Subsidiary Companies	Hindustan Motor Finance Corporation Ltd.(HMFC) HM Export Ltd. (HME) (Ceased to be subsidiary company and became associate w.e.f. September 26, 2013) # Hindustan Motors Ltd., U.S.A. (HML,USA)
Associate Company	AVTEC Limited (Ceased to be associate company w.e.f. March 28, 2013)* HM Export Ltd. (HME) (w.e.f. September 26, 2013) \$
Key Management Personnel	Mr. Uttam Bose, Managing Director (w.e.f. April 2, 2012). Mr. Manoj Jha, Managing Director (up to January 31, 2012.)

- Aggregated Related Party Disclosures as at and for the period ended September 30, 2013 are as follows. (Transactions have taken place on arm's length basis).

₹ in lacs

Nature of Transactions	Subsidiary Companies			Associate Companies		Key Managerial Personnel	Total
	HML (USA)	HMFC	HME #	AVTEC*	HME \$		
Sale of Products	-	4.86	-	493.60	-	-	498.46
	(-)	(1.16)	(-)	(802.35)	(-)	(-)	(803.51)
Purchases	-	-	-	2743.52	-	-	2743.52
	(-)	(-)	(-)	(3137.33)	(-)	(-)	(3137.33)
Rent and Hire Charges Paid	-	-	-	12.19	-	-	12.19
	(-)	(-)	(-)	(11.26)	(-)	(-)	(11.26)
Advertisement, Selling Expenses & Claims	-	-	-	-14.97	-	-	-14.97
	(-)	(-)	(-)	(-20.09)	(-)	(-)	(-20.09)
Miscellaneous Expenses	-	-	-	19.10	-	-	19.10
	(-)	(-)	(-)	(23.40)	(-)	(-)	(23.40)
Salaries, Allowances, Provident Fund and Others	-	-	-	-	-	292.04	292.04
	(-)	(-)	(-)	(-)	(-)	(158.99)	(158.99)
Finance Cost	-	34.43	67.78	7.41	0.78	-	110.40
	-	(16.89)	(31.53)	(34.18)	(-)	(-)	(82.60)
Other Non-Operating Income (Rent)	-	10.14	-	-	-	-	10.14
	(-)	(6.60)	(-)	(-)	(-)	(-)	(6.60)
Dividend Income on Non-Current Investments	-	-	-	59.30	-	-	59.30
	(-)	(-)	(-)	(90.48)	(-)	(-)	(90.48)
Sale of Non-Current Investments	-	209.35	-	-	-	-	209.35
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Balance Outstanding at Period end							
Short term Unsecured Borrowings	-	-	-	-	515.00	-	515.00
	(-)	(210.00)	(300.00)	(-)	(-)	(-)	(510.00)
Trade Receivable, Short Term Loans & Advances	5.14	0.34	-	-	-	-	5.48
	(4.18)	(7.42)	(-)	(-)	(-)	(-)	(11.60)
Trade Payables	8.75	-	-	-	-	-	8.75
	(13.90)	(-)	(-)	(-)	(-)	(-)	(13.90)
Non-Current Investments	-	25.05	-	-	1805.77	-	1830.82
	(-)	(25.05)	(-)	(-)	(-)	(-)	(25.05)

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

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

		₹ in lacs	
		2012-13 (18 Months)	2011-12 (12 Months)
41. (a)	The following items are included under other heads in the Statement of Profit and Loss.		
	Raw Materials and Components	23.69	12.15
	Stores & Spares	97.21	69.91
	(b) Salaries and Wages as well as Stores consumption relating to repairs have not been segregated but are charged to the relevant account heads.		
42.	C.I.F. Value of Imports		
	(i) Components and Spare Parts	24708.94	17734.08
	(ii) Capital Goods	1376.46	1037.63
	(iii) Traded Goods - Vehicles	6039.48	1174.64
43.	Expenditure in Foreign Currency		
	(i) Royalties, Technical Know-how Fees, Professional and Consultation fees	90.13	113.36
	(ii) Interest	69.97	54.23
	(iii) Other Matters	43.74	60.86
44.	Earnings in Foreign Exchange		
	(i) Export of goods on F.O.B. basis	40.71	93.14
	(ii) Incentive & subsidy for advertisement	82.35	7.44
	(iii) Warranty claims	30.37	34.08
45.	Value of Raw Materials and Components, Stores and Spares consumed during the period (including items shown under other heads of expenses, unserviceable and / or damaged items written down and / or written off) :		

	Raw Materials and Components				Stores and Spares			
	2012-13 (18 Months)		2011-12 (12 Months)		2012-13 (18 Months)		2011-12 (12 Months)	
	₹ in lacs	%	₹ in lacs	%	₹ in lacs	%	₹ in lacs	%
Indigenous	18087.48	42	13711.31	43	1355.25	100	948.90	100
Imported								
a) CIF Value	21705.94	51	17260.90	55	3.94	0	1.85	0
b) Duty, Port Charges, Transport etc.	2795.80	7	570.47	2	0.71	0	0.35	0
	24501.74	58	17831.37	57	4.65	0	2.20	0
	42589.22	100	31542.68	100	1359.90	100	951.10	100

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

46. The operating results for the current period have been adversely affected due to adverse market conditions as well as adverse exchange rate of US \$ / Japanese Yen. The Management is in the process of taking necessary measures to augment the net worth and to improve the operating results including but not limited to sale of non-core assets, introduction of new variants of vehicles and sale of certain manufacturing facilities. The Management is confident that these measures are expected to result in sustainable cash flows and accordingly, the Company continues to present its financial statements on a "Going Concern" basis.
47. The Board of Directors in its meetings held on January 10, 2013 and February 9, 2013 approved a scheme of arrangement for demerger of the "Chennai Car Plant" of the Company to its wholly owned subsidiary namely Hindustan Motor Finance Corporation Limited w.e.f. April 1, 2012. The scheme is subject to requisite approvals, including sanction of the High Court. Pending the same, no accounting adjustment thereof has been made in the financial statements. The following statement shows the revenue and expenses of discontinuing operations :

₹ in lacs

Particulars	2012-13 (18 Months)	2011-12 (12 Months)
A. INCOME		
Revenue from Operations (Gross)	62857.93	42494.56
Less : Excise duty	11090.09	6754.23
Revenue from Operations (Net)	51767.84	35740.33
Other Income	442.19	214.13
	52210.03	35954.46
B. EXPENSES		
Cost of Raw materials and components consumed	27811.00	22446.94
Purchase of Traded Goods	15417.08	8590.96
Decrease / (Increase) in Stocks	(552.47)	208.34
Employee Benefits Expense	3344.84	2147.43
Finance Costs	944.60	737.79
Depreciation and Amortisation Expense	1608.32	1647.33
Other Expenses	5970.29	4647.73
	54543.66	40426.52
Profit/(Loss) before Tax	(2333.63)	(4472.06)
Tax Expense	(542.44)	(486.03)
Profit/(Loss) after Tax	(1791.19)	(3986.03)

Notes to financial statements for 18 month period from April 1, 2012 to September 30, 2013 (Contd.)

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

₹ in lacs

	September 30, 2013	March 31, 2012
Total assets (Excluding revaluation reserve)	15226.24	13934.90
Total liabilities (Excluding revaluation reserve)	11018.82	13187.72
Net assets	4207.42	747.18

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

₹ in lacs

	2012-13 (18 Months)	2011-12 (12 Months)
Operating activities	(2560.42)	3514.46
Investing activities	(1041.43)	(1223.22)
Financing activities	3380.15	(1754.65)
Net cash inflows / (outflows)	(221.70)	536.59

48. The accounting year 2012-13 has been extended by six months till September 30, 2013 and as such, current period's figures being for eighteen months are not comparable with previous period's figures being for twelve months.
49. Previous year's figures have been regrouped / rearranged wherever necessary.

As per our report of even date.

For **S.R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number : 301003E
Per **Raj Agrawal**
Partner
Membership No.: 82028
Place: New Delhi
Date : November 18, 2013

Yogesh Goenka
Chief Financial Officer and
Company Secretary

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

C. K. Birla
Chairman

Uttam Bose
Managing Director

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Hindustan Motors Limited ("the Company") and its subsidiaries, which comprise the Consolidated Balance Sheet as at September 30, 2013 and the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for eighteen month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

Opinion

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

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at September 30, 2013;
- (b) in the case of the consolidated Statement of Profit and Loss, of the loss for eighteen month period ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for eighteen month period ended on that date.

Emphasis of Matter

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

- (a) Note 33 (e) regarding the demand for right of recompense by the Lenders under Corporate Debt Restructuring Scheme. As stated in the said Note, in view of the Company's request for reduction in the amount of recompense

of interest which the Lenders have agreed to consider, no provision against the balance amount of recompense payable (net of ₹ 1500 lacs already paid to the Lenders), if any, is considered necessary by the management.

- (b) Note 33 (f) regarding the demand of Government of West Bengal (GoWB) for payment of ₹ 19447 lacs along with interest thereon in relation to excess realization of the said sum from the sale of land at Hindmotor, West Bengal, in earlier years. As stated in the said Note, the Company is of the view that it has not committed any default of the said Government Order and based on the legal advice obtained by the Company, no provision is considered necessary by the management against the said claim of GoWB.
- (c) Note 43 regarding preparation of these accounts on a going concern basis, although the entire net-worth of the Company stands eroded. Management of the Company has initiated various measures to make the operations of the Company viable. These mitigating factors have been more fully discussed in above referred note, in view of which, the accounts have been continued to be prepared under the going concern assumption.

Our opinion is not qualified in respect of above matters.

Other Matter

We did not audit total assets of ₹ 337.74 lacs as at September 30, 2013, total revenues of ₹ 138.20 lacs and net cash outflows amounting to ₹ 48.89 lacs for the period then ended in respect of certain subsidiaries and Group's share of net profit of ₹ 403.50 lacs for eighteen month period ended September 30, 2013 in respect of certain associates, included in the accompanying consolidated financial statements, whose financial statements and other financial information have been audited by other auditors and whose reports have been furnished to us. Our opinion, in so far as it relates to the affairs of such subsidiaries and associates is based solely on the report of other auditors. Our opinion is not qualified in respect of this matter.

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

Chartered Accountants

ICAI Firm Registration Number : 301003E

Per **Raj Agrawal**

Partner

Membership No.: 82028

Place : New Delhi

Date : November 18, 2013

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES
BALANCE SHEET AS AT SEPTEMBER 30, 2013

		₹ in lacs	
	Notes	As at September 30, 2013	As at March 31, 2012
EQUITY AND LIABILITIES			
A. SHAREHOLDERS' FUNDS			
Share Capital	2	9247.08	8657.08
Reserves and Surplus	3	(12538.43)	(6044.14)
Warrants		-	361.38
		(3291.35)	2974.32
B. MINORITY INTEREST			
		-	0.21
C. NON-CURRENT LIABILITIES			
Long-Term Borrowings	4	-	2954.03
Deferred Tax Liability (Net)	5	-	878.48
Other Long-Term Liabilities	6	1340.00	519.04
Long-Term Provisions	7	789.62	648.31
		2129.62	4999.86
D. CURRENT LIABILITIES			
Short-Term Borrowings	8	7170.79	9261.49
Trade Payables	9	8016.11	8741.57
Other Current Liabilities	10	11789.43	8649.82
Short-Term Provisions	11	780.03	266.89
		27756.36	26919.77
		26594.63	34894.16
ASSETS			
E. NON-CURRENT ASSETS			
Fixed Assets			
Tangible Assets	12	10525.53	10452.39
Intangible Assets	12	1299.08	436.61
Capital Work-In-Progress		48.66	1515.02
Intangible Assets under Development		23.44	344.31
		11896.71	12748.33
Non-Current Investments	13	1642.71	8012.59
Deferred Tax Asset (Net)	14	1.95	1.37
Long-Term Loans and Advances	15	770.66	797.89
Other Non-Current Assets	16	-	-
		14312.03	21560.18
F. CURRENT ASSETS			
Inventories	17	8136.55	6184.57
Trade Receivables	18	2064.80	1974.16
Cash and Bank Balances	19	802.65	3695.59
Short-Term Loans and Advances	20	1261.52	1432.00
Other Current Assets	21	17.08	47.66
		12282.60	13333.98
		26594.63	34894.16
Significant Accounting Policies	1.2		

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

As per our report of even date.

For **S.R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number - 301003E
Per **Raj Agrawal**
Partner
Membership No.: 82028
Place : New Delhi
Date : November 18, 2013

Yogesh Goenka
Chief Financial Officer and
Company Secretary

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

C. K. Birla
Chairman

Uttam Bose
Managing Director

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES
STATEMENT OF PROFIT AND LOSS FOR 18 MONTH PERIOD FROM APRIL 1, 2012 TO SEPTEMBER 30, 2013

		₹ in lacs	
	<u>Notes</u>	<u>2012-2013</u> <u>(18 Months)</u>	<u>2011-2012</u> <u>(12 Months)</u>
A. INCOME			
Revenue from Operations (Gross)	22	88211.03	59633.62
Less: Excise Duty		15788.24	9622.96
Revenue from Operations (Net)		72422.79	50010.66
Other income	23	1232.06	633.13
		<u>73654.85</u>	<u>50643.79</u>
B. EXPENSES			
Cost of Raw Materials and Components Consumed	24	42568.87	31533.98
Bulletproofing of Vehicles		82.16	126.65
Purchase of Traded Goods	25	17843.00	10253.32
Decrease / (Increase) in Stocks	26	(1575.91)	700.61
Employee Benefits Expense	27	13628.62	8583.10
Finance Costs	28	2987.14	1980.71
Depreciation & Amortisation Expense	29	2202.00	2182.21
Other Expenses	30	11777.23	8664.61
		<u>89513.11</u>	<u>64025.19</u>
Profit / (Loss) Before Exceptional Items and Tax		<u>(15858.26)</u>	<u>(13381.40)</u>
Add: Exceptional Items	31	7269.44	8598.50
Profit / (Loss) Before Tax [including loss of ₹ 2333.63 lacs (loss of ₹ 4472.06 lacs) for discontinuing operations-Refer Note 44]		<u>(8588.82)</u>	<u>(4782.90)</u>
Tax Expenses			
Current Tax		39.08	18.70
Deferred Tax Charge / (Credit)		(878.49)	(344.41)
Income Tax for Earlier Years (Net of Write back)		1.90	(5.23)
Total Tax Expenses / (Credit) [including credit of ₹ 542.44 lacs (credit of ₹ 486.03 lacs) for discontinuing operations Refer Note 44]		<u>(837.51)</u>	<u>(330.94)</u>
Profit / (Loss) for the period [including loss of ₹ 1791.19 lacs (loss of ₹ 3986.03 lacs) for discontinuing operations-Refer Note 44]		<u>(7751.31)</u>	<u>(4451.96)</u>
Add: Proportionate Share of Profit of Associate Companies		403.50	1310.12
Profit / (Loss) for the period [including loss of ₹ 1791.19 lacs (loss of ₹ 3986.03 lacs) for discontinuing operations-Refer Note 44]		<u>(7347.81)</u>	<u>(3141.84)</u>
Earning per Equity Share (Nominal value of Share ₹ 5)	34		
Basic	₹	(4.01)	(1.94)
Diluted	₹	(4.01)	(1.94)
Significant Accounting Policies	1.2		

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

As per our report of even date.

For **S.R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number - 301003E
Per **Raj Agrawal**
Partner
Membership No.: 82028
Place : New Delhi
Date : November 18, 2013

Yogesh Goenka
Chief Financial Officer and
Company Secretary

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

C. K. Birla
Chairman

Uttam Bose
Managing Director

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT FOR 18 MONTH PERIOD FROM APRIL 1, 2012 TO SEPTEMBER 30, 2013

	₹ in lacs	
	2012-2013 (18 Months)	2011-2012 (12 Months)
(A) CASH FLOW FROM OPERATING ACTIVITIES :		
NET PROFIT/(LOSS) BEFORE TAX	(8588.82)	(4782.90)
ADJUSTMENTS FOR :		
Depreciation and amortisation Expense	2202.00	2182.21
Exceptional Income	(7269.44)	(8598.50)
Interest Income	(226.76)	(156.68)
Finance Costs	2987.14	1980.70
Unspent Liabilities and Provisions no longer required written back	(682.99)	(367.37)
Provision for doubtful debts and advances (Net)	70.47	47.19
Irrecoverable Debts, Claims and Advances written off	169.20	-
Unrealised Foreign Exchange Loss (Net)	151.86	98.93
Net Loss on Fixed Assets Sold/Discarded	110.20	29.73
Dividend Income	(98.60)	(0.90)
OPERATING (LOSS) BEFORE WORKING CAPITAL CHANGES	(11175.74)	(9567.59)
Movement in working capital		
Increase/(Decrease) in Other Long Term Liabilities	820.96	(111.22)
Increase/(Decrease) in Trade Payable and Other Current Liabilities	2242.80	(5735.18)
Increase/(Decrease) in Long Term provisions	141.31	6.77
Increase/(Decrease) in Short Term provisions	509.15	88.20
Decrease/ (Increase) in Trade Receivables	(1412.36)	(365.32)
Decrease/ (Increase) in Long-Term Loans and Advances and Other Non-Current Assets	(281.93)	(18.78)
Decrease/ (Increase) in Short-Term Loans and Advances and Other Current Assets	180.75	1960.07
Decrease/ (Increase) in Inventories	(1951.98)	3754.19
CASH USED IN OPERATIONS	(10927.04)	(9988.86)
Add: Current Tax (Paid) / Refund (Net)	(17.54)	(70.72)
NET CASH USED IN OPERATING ACTIVITIES	(10944.58)	(10059.58)
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Sale of Fixed Assets	230.21	6536.35
Dividend Received	98.60	0.90
Proceeds from Sale of Investments in Associate / Subsidiary	14042.82	5161.69
Interest Received on Fixed Deposits and others	226.76	141.41
Purchase of Fixed Assets	(1819.21)	(250.23)
Proceeds from Fixed Deposit Matured	1544.47	-
Investment in Fixed Deposits	-	(1,406.59)
NET CASH GENERATED FROM INVESTING ACTIVITIES	14323.65	10183.53
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Long Term borrowings	(1157.54)	(1038.44)
Repayment of Short-Term borrowings	-	(600.00)
Net Increase / (Decrease) in Intercompany Deposits and others	(2090.70)	2196.95
Proceeds from Issue of Share Capital / Warrants	1084.12	1806.88
Interest Paid	(2563.42)	(3342.73)
NET CASH USED IN FINANCING ACTIVITIES	(4727.54)	(977.34)
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C)	(1348.47)	(853.39)
CASH & CASH EQUIVALENTS - BEGINNING OF THE YEAR	2063.26	2916.65
CASH & CASH EQUIVALENTS - AT THE END OF THE YEAR	714.79	2063.26
Cash and Cash Equivalents as above	714.79	2063.26
Other Bank Balances	87.86	1632.33
Cash and Bank Balances as per Note 19	802.65*	3695.59

* Includes ₹ 1.95 lacs (₹ 1.95 lacs) lying in Unpaid Dividend Account and ₹ 10.37 lacs (₹ 74.29 lacs) lying as Margin money deposit having restrictive use.

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

As per our report of even date.

For **S.R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number - 301003E
Per **Raj Agrawal**
Partner
Membership No.: 82028
Place : New Delhi
Date : November 18, 2013

Yogesh Goenka
Chief Financial Officer and
Company Secretary

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

C. K. Birla
Chairman

Uttam Bose
Managing Director

1.0 Principles of consolidated financial statements :

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

- (a) The financial statements of the Company and its subsidiaries are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenditure, after eliminating intra group balances, intra group transactions and any unrealised profit / loss included therein in accordance with Accounting Standard (AS) 21 "Consolidated Financial Statements" as notified by the Companies (Accounting Standards) Rules, 2006 (as amended).
- (b) The consolidated financial statements have been prepared using uniform accounting policies, except stated otherwise, for like transactions and are presented, to the extent possible, in the same manner as the Company's separate financial statements.
- (c) The excess of cost to the Company over its investments in the subsidiary companies is recognised in the financial statements as goodwill which is fully amortised.
- (d) The subsidiary companies considered in the financial statements are as follows :

Name	Country of Incorporation	% of Ownership as on 30.09.2013
Hindustan Motor Finance Corporation Ltd.	India	100.00 (100.00)
HM Export Ltd. (ceased to be a subsidiary Company and became an associate w.e.f. September 26, 2013)	India	28.337 (99.997)
Hindustan Motors Ltd.	Delaware, U.S.A.	100.00 (100.00)

- (e) In terms of Accounting Standard 11, notified by the Companies (Accounting Standard) Rules, 2006 (as amended), exchange fluctuations on conversion of the accounts of foreign subsidiary have been taken to "Foreign Currency Translation Reserve" (Refer Note 3). The exchange rate considered for translation of financial statements of foreign subsidiary is considered at 1 US \$ = ₹ 62.7770 (1 US \$ = ₹ 51.1565).
- (f) The associate companies considered in the financial statements are as follows :

Name	Country of Incorporation	% of Ownership as at 30.09.2013
AVTEC Limited (ceased to be an associate w.e.f. March 28, 2013)	India	0.04 (31.06)
HM Export Limited (ceased to be a subsidiary company and became an associate w.e.f. September 26, 2013)	India	28.34 (-)

- (g) Investments in associate have been accounted for using the equity method in accordance with Accounting Standard (AS) 23 "Accounting for Investments in Associates in Consolidated Financial Statements" as notified by the Companies Accounting Standards Rules, 2006 (as amended).
- (h) The Company accounts for its share of the change in the net assets of the associate, post acquisition, after eliminating unrealised profit and losses resulting from the transactions between the Company and its associate to the extent of its share, through its Statement of Profit and Loss to the extent such change is attributable to the associate's Statement of Profit and Loss.
- (i) The difference between the cost of investment in the associate and the share of net assets at the time of acquisition of shares in associate is identified in the financial statements as Goodwill or Capital Reserve, as the case may be.

1.1 Basis of Preparation :

The financial statements have been prepared to comply in all material respects with the accounting principles

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

1.2 Significant Accounting Policies :

(i) Revenue Recognition :

- (a) Revenue from sale of goods and services rendered is recognised upon passage of title and rendering of services to the customers.
- (b) Insurance and other claims, to the extent considered recoverable, are accounted for in the year of claim. However, claims and refunds whose recovery cannot be ascertained with reasonable certainty are accounted for on acceptance basis.
- (c) Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (d) Dividend income is recognised when the Company's right to receive dividend is established by the reporting date.

(ii) Fixed Assets :

- (a) Fixed Assets are stated at cost of acquisition inclusive of duties (net of Cenvat and Value Added Tax credits), taxes, incidental expenses, erection / commissioning expenses and technical know-how fees etc. up to the date the asset is ready for its intended use, less accumulated depreciation and impairment losses, if any. In case of revaluation of fixed assets, the original cost as written up by the valuer is considered in the accounts and the differential amount is transferred to revaluation reserve.
- (b) Machinery spares which can be used only in connection with an item of fixed asset and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual useful life of the respective assets.
- (c) The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on external/internal factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in use' of the respective assets. The estimated future cash flows considered for determining the value in use are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets.
- (d) Assets awaiting disposal are valued at lower of written down value and net realisable value and disclosed separately.

(iii) Foreign Currency Transactions :

(a) Initial Recognition :

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(b) Conversion :

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(c) Exchange Differences :

Exchange differences arising on the settlement/conversion of monetary items are recognised as income or expenses in the year in which they arise.

(d) Forward Exchange contracts not intended for trading or speculation purpose :

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of respective contracts. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(iv) Depreciation :

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

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

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

(d) Depreciation includes the amount amortised in respect of leasehold land over the respective lease period.

(e) Depreciation on revalued assets is provided at the rates specified under Section 205(2)(b) of the Companies Act, 1956 or at the rates based on their estimated useful lives, whichever is higher.

(f) Depreciation on fixed assets added / disposed off during the year, is provided on pro-rata basis with reference to the month of addition / disposal.

(g) In case of impairment, if any, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

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

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

(b) Operating Lease :

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

(vi) Intangibles :

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

Research and Development Costs :

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

(vii) Investments :

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

(b) Current Investments are stated at lower of cost or market rate on individual investment basis. Long Term Investments are considered "at cost", unless there is other than temporary decline in value thereof, in which case, adequate provision is made against such diminution in the value of investments.

(viii) Inventories :

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

(b) The closing stock of materials inter-transferred from one unit to another is valued at cost or net realisable value whichever is lower.

(c) Net realisable value is the selling price in the ordinary course of business, less costs of completion and costs necessary to make the sale.

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

(ix) Excise Duty & Customs Duty :

Excise Duty on Finished Goods stock lying at the factories is accounted for at the point of manufacture of goods and is accordingly considered for valuation of finished goods stock lying in the factories as on the Balance Sheet date. Similarly, Customs Duty on Imported Materials in transit / lying in Bonded Warehouse is accounted for at the time of import / bonding of materials.

(x) Cash & Cash Equivalents :

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

(xi) Derivative Instruments :

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

(xii) Retirement & other employee benefits :**(a) Defined Contribution plans :**

Company's contributions to Provident Fund and Superannuation Scheme are charged to Statement of Profit and Loss of the year when the contributions to the respective Funds are due. The Company has no obligations other than the contributions payable to the respective Funds.

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

Gratuity liability and compensated leave liability in the form of accumulated leaves are provided for based on actuarial valuation made at the end of each financial year. The actuarial valuation is done on Projected Unit Credit method. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss as income or expense.

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

(xiii) Borrowing Costs :

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue. Exchange differences arising from foreign currency borrowings to the extent that they are regarded as finance costs in terms of the Accounting Standard 16 are considered as borrowing cost.

(xiv) Provisions :

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on the management estimates required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

(xv) Taxation :

- (a) Tax expenses comprise of current & deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred Income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.
- (b) Deferred tax is accounted for using the tax rates and laws that have been substantively enacted at the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred Tax assets and Deferred Tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. If the Company has carry forward unabsorbed depreciation and tax losses, all deferred tax assets are recognised only to the extent there is virtual certainty supported by convincing evidence that sufficient taxable income will be available against which such deferred tax asset can be realised.
- (c) At each Balance Sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

(xvi) Segment Reporting :

(a) Identification of Segments :

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

(b) Allocation of Common Costs :

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

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

(xvii) Product related Warranty Claims :

Provision for product related warranty 'costs' is based on the claims received up to the year end as well as the management estimates of further liability to be incurred in this regard during the warranty period, computed on the basis of past trend of such claims.

(xviii) Contingencies :

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

(xix) Earnings per share :

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

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(xx) Use of Estimates :

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

	₹ in lacs	
	As at September 30, 2013	As at March 31, 2012
A. SHAREHOLDERS' FUND		
NOTE 2 : SHARE CAPITAL		
Authorised		
33,00,00,000 (33,00,00,000) Equity Shares of ₹ 5 each	16500.00	16500.00
55,00,000 (55,00,000) Unclassified Shares of ₹ 100 each	5500.00	5500.00
	22000.00	22000.00
Issued		
18,51,89,297 (17,33,89,297) Equity Shares of ₹ 5 each	9259.46	8669.46
Subscribed and Paid-up		
18,47,71,993 (17,29,71,993) Equity Shares of ₹ 5 each fully paid up	9238.60	8648.60
Add : Forfeited Shares (amount originally paid-up)	8.48	8.48
	9247.08	8657.08

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

Equity Shares - Subscribed and Paid up (Nos.)

At the beginning of the period	17,29,71,993	16,11,71,993
Add: Issue of Equity Shares during the period	-	1,18,00,000
Add: Issue of Equity Shares on conversion of Warrants	1,18,00,000	-
Outstanding at the end of the period	18,47,71,993	17,29,71,993

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

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

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

- c) During the period, the Company's promoter/promoter group companies were allotted 1,18,00,000 Equity Shares of face value of ₹ 5 each at a premium of ₹ 7.25 per share on 19th June, 2012 on exercising their option of conversion of 1,18,00,000 warrants allotted to them on preferential basis on 12th March, 2012. The equity shares allotted on 19th June, 2012 are locked in up to 18th June, 2015. i.e. for a period of three years from the date of allotment. The existing holding of such promoter/promoter group companies to the extent of 1,18,00,000 Equity Shares are also locked in up to 11th March, 2015 i.e. for a period of three years from the date of allotment.
- d) As per records of the Company, details of Shareholders holding more than 5% Equity Shares in the Company as on the balance sheet date.

	As at September 30, 2013		As at March 31, 2012	
Name of Shareholders	No. of Shares	% of Holding	No. of Shares	% of Holding
National Bearing Co. (Jaipur) Ltd.	2,26,12,354	12.24%	2,26,12,354	13.07%
Central India Industries Ltd.	1,84,00,600	9.96%	1,20,00,600	6.93%

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

	As at September 30, 2013	₹ in lacs As at March 31, 2012
A. SHAREHOLDERS' FUND		
NOTE 3 : RESERVES AND SURPLUS		
a) Capital Reserve		
As per last account	3.53	3.53
b) Securities Premium Account		
As per last year	855.50	855.50
Add : Received on Issue of Shares	855.50	-
	<u>1711.00</u>	<u>855.50</u>
c) Revaluation Reserve		
As per last account	756.28	771.12
Less : Adjusted towards assets sold	-	14.24
Less : Transferred to Depreciation Account	0.11	0.60
	<u>756.17</u>	<u>756.28</u>
d) Central Subsidy		
As per last account	15.00	15.00
e) Foreign Currency Translation Reserve		
As per last account	(8.70)	(4.07)
Add: For the period	(1.87)	(4.63)
[Refer Note 1.0 (e)]	<u>(10.57)</u>	<u>(8.70)</u>
f) Surplus / (Deficit) in the Statement of Profit and Loss		
As per last account	(7665.75)	(4523.91)
Add: Profit / (Loss) for the period	(7347.81)	(3141.84)
	<u>(15013.56)</u>	<u>(7665.75)</u>
	<u>(12538.43)</u>	<u>(6044.14)</u>
C. NON-CURRENT LIABILITIES		
NOTE 4 : LONG TERM BORROWINGS		
SECURED		
Term Loans from		
Banks	-	1389.63
Financial Institutions	-	369.03
	<u>-</u>	<u>1758.66</u>
UNSECURED		
Sales Tax Deferral Credit	-	1195.37
	<u>-</u>	<u>2954.03</u>
a) Term Loans Nil (₹ 1758.66 lacs) also included in Note 10 - Current Maturities of Long-Term Borrowings ₹879.33 lacs from the Financial Institutions and Banks together with interest and other charges thereon, are secured by a mortgage on a part of the Company's land with other immovable assets thereon, both present and future, and by way of a hypothecation charge over all the movable assets including book debts of the Company. These charges along with those referred to in Note 8(a) rank pari-passu amongst various Financial Institutions and Banks.		
b) Term Loans from Banks carry interest @ 10.897% p.a. on monthly rest. These Loans are due for repayment during the period from October 1, 2013 to March 31, 2014 in equal monthly / quarterly installments.		
c) Term Loans from Financial Institutions carry interest @11% p.a. on quarterly rest. These Loans are due for repayment during the period from October 1, 2013 to March 31, 2014 in equal monthly / quarterly installments.		
d) Sales Tax Deferral Credit is interest free.		

	As at September 30, 2013	₹ in lacs As at March 31, 2012
C. NON-CURRENT LIABILITIES		
NOTE 5 : DEFERRED TAX LIABILITY (NET)		
Deferred tax liability arising on account of:		
Timing difference in depreciable Assets	2316.53	2634.49
Deferred tax assets arising on account of:		
Expenses allowable against taxable income in future years	1425.57	1189.97
Unabsorbed depreciation	1036.17	566.04
	<u>2461.74</u>	<u>1756.01</u>
	(145.21)	878.48
Less : Deferred Tax Asset not recognised (Refer Note below)	145.21	-
	<u>-</u>	<u>878.48</u>
In terms of accounting policy (1.2)(xv)(b) followed by the Company, deferred tax assets of ₹ 3965.78 lacs (₹ 3846.16 lacs) have not been recognised in the accounts including ₹ 3820.57 lacs (₹ 3846.16 lacs), arising on account of carried forward unabsorbed business losses.		
NOTE 6 : OTHER LONG TERM LIABILITIES		
Trade Payables	285.32	-
Amount payable under Voluntarily Retirement Schemes	96.73	222.22
Payable against Purchases of Fixed Assets	583.12	-
Security and Other Deposits	374.83	296.82
	<u>1340.00</u>	<u>519.04</u>
NOTE 7 : LONG-TERM PROVISIONS		
Gratuity (Refer Note 40)	721.33	290.03
Leave Liability	-	354.82
Warranties (Refer Note 35)	68.29	3.46
	<u>789.62</u>	<u>648.31</u>
D. CURRENT LIABILITIES		
NOTE 8 : SHORT TERM BORROWINGS		
SECURED		
From Banks		
Cash Credits	993.25	268.25
Buyers Credit in foreign currency	2612.54	1493.24
	<u>3605.79</u>	<u>1761.49</u>
UNSECURED		
Deposits from :		
Associate Company (Ceased to be a subsidiary and became associate w.e.f. September 26th, 2013)	515.00	-
Other Bodies Corporate	3050.00	7500.00
	<u>3565.00</u>	<u>7500.00</u>
TOTAL	<u>7170.79</u>	<u>9261.49</u>

- a) Cash Credits facilities from Banks ₹ 993.25 lacs (₹ 268.25 lacs) and buyers credit ₹ 2612.54 lacs (₹ 1493.24 lacs) together with interest and other charges thereon, are secured by a mortgage on a part of the Company's land together with other immovable assets thereon, both present and future, and by way of a hypothecation charge over all the movable assets including book debts of the Company. Cash Credit is repayable on demand and carries interest @ 10.897% p.a. on monthly rest. Buyers credit is taken for a period ranging from 3 to 6 months and carries interest ranging from Libor plus 0.57% to 0.65% p.a.

	₹ in lacs	
	As at September 30, 2013	As at March 31, 2012

D. CURRENT LIABILITIES**NOTE 8 : SHORT TERM BORROWINGS (Contd.)**

The charges referred above along with those referred to in Note. 4 (a) rank pari-passu amongst various Financial Institutions and Banks.

- b) Inter corporate deposits are generally taken for a term of three months, while some of them are also payable on demand. Aggregate amount of Loans payable on demand amounts to ₹ 1565.00 lacs (₹ 3535.00 lacs).
c) As at September 30, 2013, the Company has overdrawn ₹ 661.00 lacs in cash credits from banks.

NOTE 9 : TRADE PAYABLES

Goods and Services [Including Acceptances ₹ 1851.09 lacs (₹ 2852.49 lacs)] (Refer Note 38 for details of dues to micro and small enterprises)	<u>8016.11</u>	<u>8741.57</u>
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NOTE 10 : OTHER CURRENT LIABILITIES

Current maturities of Long-Term Borrowings :		
Sales Tax Deferral Credit	1791.50	874.34
Term Loan from		
Banks	694.82	-
Financial Institutions	<u>184.51</u>	<u>879.33</u>
Current portion of amount payable under Voluntarily Retirement Schemes	97.67	157.22
Interest Accrued on Borrowings :		
Due	244.96	3.11
Not due	65.47	57.07
Advance against Sales / Sale of Fixed Assets	282.57	1555.85
Statutory dues payable	4295.79	2369.44
Payable against Purchases of Fixed Assets [Including Acceptances ₹ Nil (₹ 898.30 lacs)]	723.09	969.61
Liabilities for Expenses on Employee Benefits	1605.84	1005.73
Liabilities for Other Expenses	1039.09	1117.46
Other Payables	746.64	530.91
Security and Other Deposits	15.53	7.13
Investor Education and Protection Fund *		
Unpaid Dividend	1.95	1.95
	<u>11789.43</u>	<u>8649.82</u>

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

Note : Sales tax deferral credit of ₹ 1791.50 lacs includes ₹ 1061.87 lacs as detailed below, which became due during the period but not paid as on the Balance Sheet date.

Due date	₹ in lacs	
	Principal Amount	Interest
April 30, 2012	-	9.13
July 31, 2012	172.38	24.14
October 31, 2012	234.97	25.80
January 31, 2013	188.78	15.02
April 30, 2013	279.23	14.05
July 31, 2013	186.51	3.74
	<u>1061.87</u>	<u>91.88</u>

NOTE 11 : SHORT-TERM PROVISIONS

Gratuity (Refer Note 40)	-	71.48
Leave Liability	635.29	28.72
Warranties (Refer Note 35)	140.75	166.69
Taxaion (Net of Advance payment & Refunds receivable)	3.99	-
	<u>780.03</u>	<u>266.89</u>

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements for 18 month period from April 1, 2012 to September 30, 2013

NOTE 12 : FIXED ASSETS

₹ in lacs

Particulars	Tangible Assets							Intangible Assets					
	Freehold Land	Leasehold Land	Buildings (b) & (c)	Plant & Equipment	Furniture & Fixtures	Office Equipments	Vehicles	Total	Goodwill	Software	Technical Know How	Product Development	Total
At Cost or Revalued Amount													
<i>As at April 1, 2011</i>	694.81	30.16	9299.45	34751.20	532.95	966.86	898.82	47174.25	0.05	122.60	807.47	-	930.12
Additions	-	-	12.06	173.60	3.08	35.26	120.15	344.15	-	100.44	5.01	-	105.45
Disposals	-	12.44	112.51	33.57	49.08	43.92	140.74	392.26	-	-	-	-	-
<i>As at March 31, 2012</i>	694.81	17.72	9199.00	34891.23	486.95	958.20	878.23	47126.14	0.05	223.04	812.48	-	1035.57
Additions (a)	-	-	19.04	1975.85	2.75	3.73	162.10	2163.47	-	8.27	1119.62	186.69	1314.58
Disposals	-	-	-	4359.74	9.12	166.49	369.35	4904.70	-	-	138.75	-	138.75
Deletion upon subsidiary ceased w.e.f 26.09.13	-	-	-	0.69	0.14	2.37	-	3.20	-	-	-	-	-
<i>As at September 30, 2013</i>	694.81	17.72	9218.04	32506.65	480.44	793.07	670.98	44381.71	0.05	231.31	1793.35	186.69	2211.40
Depreciation													
<i>As at April 1, 2011</i>	-	7.34	5216.90	28182.79	406.74	718.59	373.05	34905.41	0.05	24.16	373.92	0.00	398.13
Charge for the year	-	0.22	208.69	1562.98	16.42	56.50	137.17	1981.98	-	53.56	147.27	-	200.83
Disposals	-	3.24	74.94	22.37	19.40	39.70	53.99	213.64	-	-	-	-	-
<i>As at March 31, 2012</i>	-	4.32	5350.65	29723.40	403.76	735.39	456.23	36673.75	0.05	77.72	521.19	-	598.96
Charge for the period	-	0.28	310.78	1188.52	27.65	78.24	144.53	1750.00	-	77.32	368.57	6.22	452.11
Disposals	-	-	-	4198.38	5.18	154.01	207.08	4564.65	-	-	138.75	-	138.75
Deletion upon subsidiary ceased w.e.f 26.09.13	-	-	-	0.41	0.15	2.36	-	2.92	-	-	-	-	-
<i>As at September 30, 2013</i>	-	4.60	5661.43	26713.13	426.08	657.26	393.68	33856.18	0.05	155.04	751.01	6.22	912.32
Net Block													
<i>As at March 31, 2012</i>	694.81	13.40	3848.35	5167.83	83.19	222.81	422.00	10452.39	-	145.32	291.29	-	436.61
<i>As at September 30, 2013</i>	694.81	13.12	3556.61	5793.52	54.36	135.81	277.30	10525.53	-	76.27	1042.34	180.47	1299.08

Notes :

- (a) Includes Capital Expenditure on Scientific Research ₹ 37.28 Lacs (₹ 57.88 Lacs).
- (b) Includes ₹ 4.50 Lacs (₹ 4.50 Lacs) being the value of shares in Co-operative Housing Societies.
- (c) Includes proportionate cost of a part of Building (on leasehold land) and Other Assets amounting to ₹ 0.87 Lacs (₹ 0.87 Lacs) held in Joint Ownership basis with others at Kolkata.
- (d) Land and Buildings at Uttarpara Unit were revalued during the year ended March 31, 1984 and the resulting surplus thereon, was transferred to Revaluation Reserve.

				₹ in lacs	
				As at	As at
				September 30, 2013	March 31, 2012
E. NON-CURRENT ASSETS					
NOTE 13 : NON CURRENT INVESTMENTS					
OTHER THAN TRADE-FULLY PAID (UNQUOTED) (AT COST)					
GOVERNMENT SECURITIES					
12 Year National Planning Certificates				0.02	0.02
12 Year National Defence Certificates				0.02	0.02
National Saving Certificates (matured but pending encashment)				0.06	0.06
				0.10	0.10
EQUITY SHARES					
Birla Buildings Limited	30000	(30000)	10	3.00	3.00
Pithampur Auto Cluster Limited	50000	(50000)	10	5.00	5.00
Bengal Shriram Hitech City Private Limited	2000	(2000)	10	0.20	0.20
AVTEC Limited	10000	(-)	10	6.09	-
Less : Capital Reserve				0.45	-
				5.64	-
Add : Share of Post Acquisition Profit till March 27, 2013				5.06	-
				10.70	-
				18.90	8.20
EQUITY SHARES IN ASSOCIATE COMPANIES					
HM Export Limited	1303507	(-)	10	2774.20	-
(Ceased to be a subsidiary company and became Associate w.e.f. September 26, 2013)					
Add : Share of Profit under equity method post becoming Associate				0.12	-
				2774.32	-
Less : Unrealised gain on sale of equity share of AVTEC Limited in earlier year				1150.61	-
				1623.71	-
AVTEC Limited	-	(7765000)	10	-	4730.45
(Ceased to be associate w.e.f. March 28, 2013)					
Less : Capital Reserve				-	350.38
				-	4380.07
Add : Share of Post Acquisition Profit				-	3624.22
				-	8004.29
				1623.71	8004.29
				1642.71	8012.59
NOTE 14 : DEFERRED TAX ASSET (NET)					
Deferred tax assets arising on account of :					
Expenses allowable against Taxable Income in future years				1.67	1.00
Unabsorbed depreciation				0.28	0.37
				1.95	1.37
NOTE 15 : LONG-TERM LOANS AND ADVANCES					
Unsecured considered good					
Advance against Capital Contracts				30.04	148.25
Advances Recoverable in cash or in kind or for value to be received or pending adjustments				127.27	-
Advance payment of Income Tax and refunds Receivable (Net of provisions)				79.72	99.17
Deposits with Government Department and Others				176.30	172.46
Sales tax, VAT and Other Refunds Receivable (including amount paid under appeal)				347.27	378.01
Prepaid Expenses				10.06	-
				770.66	797.89

	₹ in lacs	
	As at September 30, 2013	As at March 31, 2012
E. NON-CURRENT ASSETS		
NOTE 15 : LONG-TERM LOANS AND ADVANCES (Contd.)		
Unsecured considered doubtful		
Advance against Capital Contracts	10.67	18.03
Deposits with Government Department and Others	89.04	97.51
Balances with Customs, Port Trust & Other Government Departments	2.44	2.44
Sales tax, VAT and Other Refunds Receivable (including amount paid under appeal)	55.09	51.93
	<u>157.24</u>	<u>169.91</u>
Less: Provision for Doubtful Loans and Advances	<u>157.24</u>	<u>169.91</u>
	-	-
	<u>770.66</u>	<u>797.89</u>
NOTE 16 : OTHER NON-CURRENT ASSETS		
Unsecured Considered Doubtful		
Insurance & Other Claims	414.53	414.53
Export Incentives receivable	8.80	7.29
	<u>423.33</u>	<u>421.82</u>
Less: Provision for Doubtful Claims	<u>423.33</u>	<u>421.82</u>
	-	-
	<u>770.66</u>	<u>797.89</u>
F. CURRENT ASSETS		
NOTE 17 : INVENTORIES		
At lower of cost and net realisable value		
Stores and Spares	152.76	110.76
Loose Tools	111.72	122.42
Raw Materials and Components [Including in transit ₹ 78.43 lacs (₹ 721.33 lacs)]*	3710.70	3302.26
Goods under process*	790.29	679.43
Finished Goods*	2008.45	509.26
Traded Goods [including in transit ₹ 154.56 lacs (₹ 23.06 lacs)]*	1362.63	1460.44
	<u>8136.55</u>	<u>6184.57</u>
*Refer Note 26		
NOTE 18 : TRADE RECEIVABLES		
Debts outstanding for a period exceeding six months from the date they are due		
Considered good		
Secured	40.39	12.07
Unsecured	<u>100.29</u>	<u>51.32</u>
Considered doubtful-unsecured	<u>301.83</u>	<u>255.88</u>
	442.51	319.27
Less : Provision for Doubtful Trade Receivables	<u>301.83</u>	<u>255.88</u>
	<u>140.68</u>	<u>63.39</u>
Other Debts		
Secured	290.57	114.18
Unsecured	<u>1633.55</u>	<u>1796.59</u>
	<u>1924.12</u>	<u>1910.77</u>
	<u>2064.80</u>	<u>1974.16</u>

	₹ in lacs	
	As at September 30, 2013	As at March 31, 2012
F. CURRENT ASSETS		
NOTE 19 : CASH AND BANK BALANCES		
Cash and Cash Equivalents		
Cash-on-hand	1.97	6.83
Balances with Banks		
Current Account	700.86	1188.13
Deposits with original maturity of 3 months or less	10.00	767.64
Unpaid Dividend Account	1.95	1.95
Remittances in transit	0.01	98.71
	714.79	2063.26
Other Bank Balances		
Margin Money Deposits	10.37	74.29
Deposits with original maturity of more than 3 months but less than 12 months	77.49	1545.40
Deposits with original maturity of more than 12 months	-	12.64
	87.86	1632.33
	802.65	3695.59
NOTE 20 : SHORT-TERM LOANS AND ADVANCES		
Unsecured considered good		
Advances recoverable in cash or in kind or for value to be received or pending adjustments	450.67	478.82
Sales tax, VAT and other Refunds receivable	548.61	624.12
Balances with Customs, Port Trust & Other Government Departments	140.24	145.67
Deposits with Government Department and Others	-	12.91
Prepaid Expenses	122.00	170.48
	1261.52	1432.00
Unsecured considered doubtful		
Advances recoverable in cash or in kind or for value to be received or pending adjustments	91.56	71.54
	91.56	71.54
Less: Provision for Doubtful Loans and Advances	91.56	71.54
	-	-
	1261.52	1432.00
NOTE 21 : OTHER CURRENT ASSETS		
Unsecured considered good		
Interest accrued on Deposits	11.87	20.29
Insurance & Other Claims receivable	-	24.88
Export Incentives receivable	-	2.49
Forward contracts receivable	5.21	-
	17.08	47.66
	17.08	47.66

	₹ in lacs	
	2012-2013 (18 Months)	2011-2012 (12 Months)
A. INCOME		
NOTE 22 : REVENUE FROM OPERATIONS		
Sale of Products (including traded)		
Vehicles	77141.59	50373.92
Spare Parts of Vehicles	8749.15	6212.65
Steel Products and Components	<u>1253.62</u>	<u>2239.63</u>
Other Operating Revenues	1066.67	807.42
	<u>88211.03</u>	<u>59633.62</u>
Note :		
a. Sales includes excise duty, delivery charges and is after adjusting incentives/discounts.		
b. Sales is net off sales return against sales made in ealier years ₹ 188.51 lacs (₹ 93.98 lacs)		
c. Trade goods (Vehicles and Spare parts) have been included above.		
NOTE 23 : OTHER INCOME		
Interest on Debts, Deposits and Advances etc.	226.76	156.68
Dividend Income on Non Current Investments (Other than Trade)	98.60	0.90
Unspent Liabilities and Provisions no longer required written back	682.99	367.37
Other Non-Operating income	<u>223.71</u>	<u>108.18</u>
	<u>1232.06</u>	<u>633.13</u>
B. EXPENSES		
NOTE 24 : COST OF RAW MATERIALS AND COMPONENTS CONSUMED		
Opening Stock	3302.26	6204.53
Add : Purchases	<u>43001.31</u>	<u>28644.74</u>
	46303.57	34849.27
Less: Transferred to Other Expenses	23.69	12.15
Sales	0.31	0.88
Closing Stock	<u>3710.70</u>	<u>3302.26</u>
	<u>42568.87</u>	<u>31533.98</u>
Note : Consumption of Raw Materials and Components includes profit / loss on sale thereof.		
Details of Raw Materials and Components Consumed		
Steel Sheets, Plates and Flat Steel	1297.57	700.16
Bar, Billets, Channels and Angles	1083.81	1220.68
Pig Iron and Scrap	145.72	229.30
Tyres and Tubes	1151.82	659.64
Power Units	7475.66	4476.21
Other Components and Production Stores (including processing charges) (each being less than 10% of total value of consumption)	<u>31414.29</u>	<u>24247.99</u>
	<u>42568.87</u>	<u>31533.98</u>
NOTE 25 : PURCHASE OF TRADED GOODS		
Vehicles	12698.49	6547.47
Spare Parts of Vehicles	<u>5144.51</u>	<u>3705.85</u>
	<u>17843.00</u>	<u>10253.32</u>

	₹ in lacs			
	2012-2013		2011-2012	
	(18 Months)		(12 Months)	
B. EXPENSES				
NOTE 26 : DECREASE / (INCREASE) IN STOCKS				
Closing Stock				
Goods under Process				
Vehicles	590.50		547.54	
Steel Products and Components	199.79	790.29	131.89	679.43
Finished Goods				
Vehicles	1965.16		445.64	
Spare Parts of Vehicles	42.59		41.09	
Steel Products and Components	0.70	2008.45	22.53	509.26
Traded Goods				
Vehicles	-		177.72	
Spare Parts of Vehicles	1362.63	1362.63	1282.72	1460.44
		4161.37		2649.13
Opening Stock				
Goods under Process				
Vehicles	547.54		906.38	
Steel Products and Components	131.89	679.43	169.57	1075.95
Finished Goods				
Vehicles	445.64		467.89	
Spare Parts of Vehicles	41.09		26.99	
Steel Products and Components	22.53	509.26	26.93	521.81
Traded Goods				
Vehicles	177.72		814.96	
Spare Parts of Vehicles	1282.72	1460.44	1080.49	1895.45
		2649.13		3493.21
		(1512.24)		844.08
Transferred to tangible fixed assets		63.67		143.47
		(1575.91)		700.61
NOTE 27 : EMPLOYEE BENEFITS EXPENSE				
Salaries, Wages and Bonus		11588.85		7437.65
Contribution to Provident, Gratuity & Other Funds		1381.34		682.45
Welfare Expenses		658.43		463.00
		13628.62		8583.10
NOTE 28 : FINANCE COSTS				
Interest Expense		2575.40		1653.60
Bank Charges and Others		411.74		327.11
		2987.14		1980.71
NOTE 29 : DEPRECIATION AND AMORTISATION EXPENSE				
On Tangible Assets		1750.00		1982.00
On Intangible Assets		452.11		200.81
		2202.11		2182.81
Less : Transfer from Revaluation Reserve being Depreciation on revaluation amount of Fixed Assets		0.11		0.60
		2202.00		2182.21

	₹ in lacs	
	2012-2013 (18 Months)	2011-2012 (12 Months)
B. EXPENSES		
NOTE 30 : OTHER EXPENSES		
Consumption of Stores and Spares	1257.83	880.03
Decrease / (Increase) in Excise duty on Stocks	415.94	77.98
Fuel and Electricity (Net)	2620.43	1453.83
Rent and Hire charges	293.41	125.44
Building Repairs	58.79	59.23
Machinery Repairs	278.93	153.04
Insurance	93.70	74.95
Rates and Taxes	283.72	168.52
Royalty	90.13	72.80
Advertising, Selling expenses and Claims (Net)	1065.71	1958.71
Delivery Charges, Freight and Transportation	146.88	157.16
Auditors' Remuneration:		
As auditor		
Audit fee	25.63	25.52
[Including fees to auditor of subsidiary companies ₹ 0.63 lacs (₹ 0.52 lacs)]		
Limited review fee	25.00	14.40
Certification and other services fee	16.39	6.45
Out of pocket expenses	5.52	2.97
In Other capacity		
Audit of Tax accounts	7.57	-
Tax audit fee	15.00	7.50
Certification and other services fee	2.98	4.10
Exchange Rate Difference (Net)	1671.56	692.28
Directors' Travelling	29.22	17.52
Cost Auditors' Remuneration	4.50	2.50
Legal and Professional Service charges	788.61	795.79
Miscellaneous Expenses	2229.91	1836.33
Provision for Doubtful Debts, Claims and Advances	86.86	85.39
Less: Written Back	16.39	38.20
Irrecoverable Debts, Claims and Advances written off	184.82	15.16
Less: Adjusted against Provision	15.62	14.52
Net Loss on Fixed Assets sold / discarded	110.20	29.73
	11777.23	8664.61
NOTE 31 : EXCEPTIONAL ITEMS		
Surplus on Sale of Non Current Investments (Other than Trade)	7269.44	1811.62
Surplus on Sale of Land and Buildings	-	6786.88
	7269.44	8598.50

	As at <u>September 30, 2013</u>	₹ in lacs <u>As at March 31, 2012</u>
32. Estimated amount of contracts remaining to be executed on capital account and other commitments and not provided for (Net of advances).	215.21	1327.11
33. Contingent Liabilities not provided for in respect of :		
(a) Claims & Government demands against the Company not acknowledged as debts.		
i) Excise Duty	3062.13	6397.44
ii) Sales Tax	3843.80	726.12
iii) Customs Duty	373.50	370.72
iv) Service Tax	911.83	797.49
v) Others	738.59	740.01

The Company does not expect any major impact to arise out of the above claims / demands. Against the above claims / demands, payments have been made under protest and / or debts have been withheld by the respective parties, to the extent of ₹ 454.32 lacs (₹ 452.59 lacs).

Included in the above are contingent liabilities to the extent of ₹ 1187.20 lacs (₹ 1617.57 lacs) relating to the pre transfer period of the erstwhile Power Unit Plant and Power Products Division of the Company, which were transferred to AVTEC Limited in June 2005. However, demands to the extent of ₹ 667.29 lacs (₹ 1171.54 lacs) are covered by counter guarantees by the customers.

- (b) Outstanding Bank Guarantees for import of materials and other accounts. 528.67 543.37
- (c) Bonus for the years 1963-64 to 1967-68 at Uttarpara Unit which is under adjudication (amount indeterminate). The Company contends that no liability exists in this regard under the Payment of Bonus Act, 1965.
- (d) Demands for incremental Dearness Allowance during the years 2001 to 2007 at Uttarpara Unit which are under adjudication (amount not ascertained). However, majority of the employees unions have filed joint petition for withdrawal of the case.
- (e) The Company is under Corporate Debt Restructuring Scheme. In view of recent circular about "windfall profit / extra ordinary income" triggering the right of recompense and the Company's sale of property at Halol, Gujarat, the Lenders of the Company have quantified the claim of recompense of interest at ₹ 6554 lacs. The Company has requested the Lenders to take a reasonable view based on Company's financial position and past track record, which the Lenders have agreed to consider. Pending final decision in the matter, the Company had paid a sum of ₹ 1500 lacs to the Lenders in April 2011, which was accounted for under Interest Expense during the year 2010-11. In view of the above, no further provision there against is considered necessary by the Management.
- (f) The Company had sold 314 acres of land at Hindmotor, West Bengal, in earlier years, in pursuance of a development agreement, after taking prior approval from Government of West Bengal (GoWB) and in accordance with the Government Order issued by the GoWB. The GoWB has alleged that the Company has realised an excess sum of ₹ 19447 lacs from the sale of said land and it should refund the said amount along with interest thereon. The Company is of the view that it has not committed any default of the said Government Order. The Company has also been legally advised that there is no liability on the Company to make any payment against the alleged demand. Accordingly, the Company has denied and disputed the allegations. Since the contentions of GoWB are being contested by the Company, including in the proceedings for demerger initiated by the Company, no provision is considered necessary by the management against the said claim.

34. Earnings per Share (EPS)

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

₹ in lacs		
	2012-2013 <i>(18 Months)</i>	2011-2012 <i>(12 Months)</i>
Profit/(Loss) after tax as per statement of Profit and Loss	(7347.81)	(3141.84)
Weighted average No. of Equity Shares outstanding during the period	183070898	161624596
Weighted number of potential Equity Shares	184771993	161737746
Nominal value of Shares (₹)	5	5
Basic EPS (₹)	(4.01)	(1.94)
Diluted EPS (₹)	(4.01)	(1.94)

35. Movement in Provisions for Warranties is as follows:

₹ in lacs				
<i>As at</i> <i>March 31, 2012</i>	Additions	Amount utilised	Amount written back	As at September 30, 2013
170.15	222.29	121.88	61.52	209.04
(169.40)	(198.91)	(184.61)	(13.55)	(170.15)

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

(i) JPY / USD of JPY 430.00 lacs (JPY / USD of JPY 4569.50 lacs).

(ii) USD / INR of USD 6.55 lacs (USD / INR of USD 29.10 lacs).

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

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

₹ in lacs			
Sr. No. Particulars	As at September 30, 2013	As at March 31, 2012	
(i) Trade Payable for Purchase of Goods / Fixed Assets	2311.89	2880.06	
(ii) Short Term - Advance against supplies/others	224.79	565.39	
(iii) Short Term borrowings - Buyers Credit	2612.55	1493.24	
(iv) Other Payables	14.93	-	

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

38. Based on the information /documents available with the Company, information as per the requirement of Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 are as under :

	₹ in lacs	
	<u>2012-2013</u> <i>(18 Months)</i>	<u>2011-2012</u> <i>(12 Months)</i>
(i) Principal amount remaining unpaid to any supplier at the end of accounting year	518.22	563.95
(ii) Interest due on above	26.05	26.02
Total of (i) & (ii)	544.27	589.97
(iii) Amount of interest paid/adjusted by the Company to the suppliers	213.14	26.92
(iv) Amounts paid to the suppliers beyond the respective due date	1639.80	933.75
(v) Amount of interest due and payable for the period of delay in payments but without adding the interest specified under the Act	-	-
(vi) Amount of interest accrued and remaining unpaid at the end of accounting period	409.85	413.36
(vii) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of this Act.	-	-

39. Details of Research costs :

₹ in lacs

Particulars	Capital Expenditure		Revenue Expenditure	
	<u>2012-2013</u> <i>(18 Months)</i>	<u>2011-2012</u> <i>(12 Months)</i>	<u>2012-2013</u> <i>(18 Months)</i>	<u>2011-2012</u> <i>(12 Months)</i>
Uttarpara Unit (UTP)	37.28	44.75	371.19	382.53
Chennai Car Plant (CCP)	-	-	46.99	105.65
Pithampur Plant (PTP)	-	13.13	3.07	0.68
	37.28	57.88	421.25	488.86

40. Disclosure for the period ended September 30, 2013 under Accounting Standard-15 (Revised) on 'Employee Benefits'

₹ in lacs

	<u>2012-13</u>	<u>2011-12</u>
A. Defined Contribution Plan		
Contribution to Provident Fund	829.48	530.01
Contribution to Superannuation Fund	44.88	35.12
B. Defined Benefit Plan		

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets Gratuity on terms not lower than the amount payable under the Payment of Gratuity Act, 1972. The aforesaid scheme is funded with an Insurance Company. The following table summarises the components of net benefit expenses recognised in Statement of Profit and Loss account and the funded status and amount recognised in the Balance Sheet for the respective plan.

<u>Sl.</u>	<u>Particulars</u>	₹ in lacs				
		<u>2012-13</u>	<u>2011-12</u>			
	Gratuity					
I.	Net Employee Expense / (Benefit)					
1.	Current Service Cost	212.44	122.48			
2.	Interest cost on benefit obligation	276.46	175.99			
3.	Expected Return on plan assets	(244.41)	(152.52)			
4.	Net Actuarial gain/(loss) recognised in the period	187.15	(57.73)			
5.	Total employee expenses recognised in Statement of Profit and Loss	431.64	88.22			
II.	Actual Return on Plan Assets	244.67	152.41			
III.	Benefit Asset/(Liability)					
1.	Defined benefit obligation	2765.80	2278.26			
2.	Fair Value of Plan Assets	2044.47	1917.12			
3.	Benefit Asset/(Liability)	(721.33)	(361.14)			
IV.	Movement in Benefit Liability					
1.	Opening defined benefit obligation	2278.26	2119.19			
2.	Interest cost	276.46	175.99			
3.	Current Service Cost	212.44	122.48			
4.	Benefits paid	(219.49)	(97.47)			
5.	Actuarial (gains) / losses on obligation	218.13	(41.93)			
6.	Closing benefit obligation	2765.80	2278.26			
V.	Movement in Fair Value of Plan Assets					
1.	Opening fair value of plan assets	1917.12	1794.48			
2.	Expected Return on plan assets	244.67	152.40			
3.	Contribution by employer	71.45	51.79			
4.	Benefits paid	(219.49)	(97.47)			
5.	Actuarial gains / (losses) on plan assets	30.72	15.92			
6.	Closing fair value of plan assets	2044.47	1917.12			
VI.	The Principal actuarial assumptions are as follows					
1.	Discount Rate	8.50%	8.50%			
2.	Salary increase	4.00%	4.00%			
3.	Withdrawal Rate	Varying between 1% & 2% per annum depending upon duration and age of the employees.				
4.	Expected rate of return on plan assets	8.50%	8.50%			
VII.	The major categories of Plan Assets as a percentage of fair value of the total plan assets					
	Investment with Insurer	100%	100%			
VIII.	Amounts for the current and previous years are as follows :					
		2012-13	2012-12	2010-11	2009-10	2008-09
1.	Defined benefit obligation	2765.80	2278.26	2119.19	1801.01	1615.41
2.	Plan Assets	2044.47	1917.12	1794.48	1703.36	1167.03
3.	Surplus / (Deficit)	(721.33)	(361.14)	(324.71)	(97.65)	(448.38)

Note :

- a) The estimates of future salary increase considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

- b) The Company expects to contribute ₹ 90.00 lacs (₹ 120.00 lacs) to Gratuity fund from October 1, 2013 to March 31, 2014.
- c) Experience adjustment on plan assets & liabilities has been considered in the valuation report as certified by the actuary, which is not readily available and hence not disclosed separately.

41. Related Party Disclosures :

(a) Name of the related parties :

- Associate Company a) AVTEC Limited (AVTEC)
(Ceased to be associate company w.e.f. March 28,2013)
- b) HM Export Limited (HME)
(Ceased to be subsidiary and became an associate w.e.f. September 26, 2013)
- Key Management Personnel Mr. Uttam Bose, Managing Director (w.e.f. April 2, 2012)
Mr. Manoj Jha, Managing Director (up to January 31, 2012)

- (b) Aggregated Related Party Disclosures as at and for the period ended September 30, 2013 are as follows.
(Transactions have taken place on arm's length basis).

₹ in lacs

Nature of Transactions	Associate Companies		Key Managerial Personnel	Total
	AVTEC	HME		
Sales of Products	493.60 (802.35)	- (-)	- (-)	493.60 (802.35)
Purchase	2743.52 (3137.33)	- (-)	- (-)	2743.52 (3137.33)
Rent and Hire Charges Paid	12.19 (11.26)	- (-)	- (-)	12.19 (11.26)
Advertisement, Selling Expenses and Claims	-14.97 (-20.09)	- (-)	- (-)	-14.97 (-20.09)
Miscellaneous Expenses	19.10 (23.40)	- (-)	- (-)	19.10 (23.40)
Salaries, Allowances, Provident Fund and Others	- (-)	- (-)	292.04 (158.99)	292.04 (158.99)
Finance Cost	7.41 (34.18)	0.78 (-)	- (-)	8.19 (34.18)
Balance Outstanding at Period end				
Short term Unsecured Borrowings	- (-)	515.00 (-)	- (-)	515.00 (-)
Non-Current Investments	- (-)	1805.77 (-)	- (-)	1805.77 (-)

42. As the Company's business activity falls within a single primary business segment viz, "Automobiles" and there is no reportable secondary segment i.e. geographical segment, the disclosure requirement of Accounting Standard-17 "Segment Reporting" as notified by Companies (Accounting Standards) Rules, 2006 (as amended) is not applicable.
43. The operating results for the current period have been adversely affected due to adverse market conditions as well as adverse exchange rate of US \$ / Japanese Yen. The Management is in the process of taking necessary measures to augment the net worth and to improve the operating results including but not limited to sale of

non-core assets, introduction of new variants of vehicles and sale of certain manufacturing facilities. The Management is confident that these measures are expected to result in sustainable cash flows and accordingly, the Company continues to present its financial statements on a "Going Concern" basis.

44. The Board of Directors in its meetings held on January 10, 2013 and February 9, 2013 approved a scheme of arrangement for demerger of the "Chennai Car Plant" of the Company to its wholly owned subsidiary namely Hindustan Motor Finance Corporation Limited w.e.f. April 1, 2012. The scheme is subject to requisite approvals, including sanction of the High Court. Pending the same, no accounting adjustment thereof has been made in the financial statements. The following statement shows the revenue and expenses of discontinuing operations:

₹ in lacs

	Particulars	2012-13 (18 Months)	2011-12 (12 Months)
A	INCOME		
	Revenue from Operations (Gross)	62857.93	42494.56
	Less : Excise duty	11090.09	6754.23
	Revenue from Operations (Net)	51767.84	35740.33
	Other Income	442.19	214.13
		52210.03	35954.46
B	EXPENSES		
	Cost of Raw materials and components consumed	27811.00	22446.94
	Purchase of Traded Goods	15417.08	8590.96
	Decrease / (Increase) in Stocks	(552.47)	208.34
	Employee Benefits Expense	3344.84	2147.43
	Finance Costs	944.60	737.79
	Depreciation and Amortisation Expense	1608.32	1647.33
	Other Expenses	5970.29	4647.73
		54543.66	40426.52
	Profit/(Loss) before Tax	(2333.63)	(4472.06)
	Tax Expense	(542.44)	(486.03)
	Profit/(Loss) after Tax	(1791.19)	(3986.03)

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

₹ in lacs

	September 30, 2013	March 31, 2012
Total assets (Excluding revaluation reserve)	15226.24	13934.90
Total liabilities (Excluding revaluation reserve)	11018.82	13187.72
Net assets	4207.42	747.18

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

₹ in lacs

	2012-13 (18 Months)	2011-12 (12 Months)
Operating activities	(2560.42)	3514.46
Investing activities	(1041.43)	(1223.22)
Financing activities	3380.15	(1754.65)
Net cash inflows / (outflows)	(221.70)	536.59

45. (a) During the period the Company has sold part of its investment in HM Export Limited (HME) at a consideration of ₹ 7977.17 lacs. Consequently, the Company's holding in HME has reduced to 28.34% on the date of Balance Sheet. Accordingly, HME has ceased to be a subsidiary and became an associate w.e.f. September 26, 2013. Exceptional gain on disposal of such investment is ₹ 3871.49 lacs.
- (b) The effect of HM Export Limited ceasing to be a subsidiary on the consolidated Assets and Liabilities of the Group is as follows :

Description	Decrease (₹ in lacs)
Assets	3233.74
Liabilities	6.82

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

- (a) Hindustan Motor Finance Corporation Ltd. (HMFC)
 (b) Hindustan Motors Limited, USA (HML, USA)

₹ in lacs

Particulars	HMFC	HML USA	Total
Capital	25.00 (25.00)	158.64 (158.64)	183.64 (183.64)
Reserves	289.15 (255.97)	-326.55 (-286.25)	-37.40 (-30.28)
Total assets	328.99 (313.55)	8.75 (18.05)	337.74 (331.60)
Total liabilities	14.84 (32.58)	176.66 (145.66)	191.50 (178.24)
Investments*	209.35 (-)	- (-)	209.35 (-)
Turnover including other income	186.80 (610.13)	- (-)	186.80 (610.13)
Profit before tax	50.69 (29.75)	- (-)	50.69 (29.75)
Provision for tax	17.51 (7.80)	- (-)	17.51 (7.80)
Profit after tax	33.18 (21.95)	- (-)	33.18 (21.95)

*HMFC has investment in 86507 equity shares of ₹10 each of HM Export Limited (An associate company)

Note: HM Export Limited ceased to be subsidiary w.e.f. September 26, 2013.

47. The accounting year 2012-13 has been extended by six months till September 30, 2013 and as such, current period's figures being for eighteen months are not comparable with previous period's figures being for twelve months.
48. Previous year's figures have been regrouped / rearranged wherever necessary.

As per our report of even date.

For **S.R. Batliboi & Co. LLP**
 Chartered Accountants
 ICAI Firm Registration Number : 301003E
 Per **Raj Agrawal**
 Partner
 Membership No.: 82028
 Place : New Delhi
 Date : November 18, 2013

Yogesh Goenka
 Chief Financial Officer and
 Company Secretary

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

C. K. Birla
 Chairman

Uttam Bose
 Managing Director

HINDUSTAN MOTORS LIMITED

Regd. Office : "Birla Building", 14th Floor, 9/1, Rajendra Nath Mukherjee Road, Kolkata 700 001

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

Joint Shareholders may obtain additional slip on request.

NAME AND ADDRESS OF THE SHAREHOLDER

Folio No.	
DP ID	
Client ID	
No.of Shares	

I hereby record my presence at the **71st Annual General Meeting** of the Company held on Thursday, the 26th December, 2013 at 2.30 p.m. at Kolkata Ice Skating Rink, 78, Syed Amir Ali Avenue, Kolkata 700 019.

SIGNATURE OF THE SHAREHOLDER OR PROXY*

*Strike out whichever is not applicable.

..... [TEAR HERE]

PROXY FORM

HINDUSTAN MOTORS LIMITED

Regd. Office : "Birla Building", 14th Floor, 9/1, Rajendra Nath Mukherjee Road, Kolkata 700 001

I/We
of being member(s) of
Hindustan Motors Limited, do hereby appoint
of or failing him
..... of
as my/our proxy to attend and vote for me/us and on my/our behalf at the **71st Annual General Meeting** of the
Company to be held on Thursday, the 26th December, 2013 at 2.30 p.m. and/or at any adjournment thereof.

Signed this day of, 2013

Folio No.	
DP ID	
Client ID	
No.of Shares	

Signature

Affix Re. 1/- Revenue Stamp

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

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