

Annual Report  
&  
Accounts  
2010-2011



**Hindustan Motors Limited**

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## HINDUSTAN MOTORS LIMITED

### ANNUAL REPORT

**Year Ended March 31, 2011**

#### Board of Directors

Shri C. K. Birla	<b>Chairman</b>
Shri Naresh Chandra	
Shri Pradip Kumar Khaitan	
Dr. Anand C. Burman	
Shri Kranti Sinha	
Shri Yogesh Kr. Rastogi	<b>ICICI Nominee</b>
Shri A. Sankaranarayanan	
Shri Subroto Gupta	<b>IDBI Nominee</b>
Shri Vijay Kumar Sharma	<b>LIC Nominee</b>
Shri Manoj Jha	<b>Managing Director</b>

#### 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

#### Auditors

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

#### Share Transfer Agents

Karvy Computershare Private Limited  
Plot Nos. 17 to 24 Vittal Rao Nagar,  
Madhapur, Hyderabad 500 081  
Telephone No. : (040) 4465 5000  
Fax No. : (040) 2342 0814  
E-mail : einward.ris@karvy.com  
          mahendra.singh@karvy.com  
Kolkata Office : (033) 2464 7231, 2464 4891

#### Registered Office

'Birla Building', 10th Floor  
9/1, Rajendra Nath Mukherjee Road  
Kolkata 700 001

## Notice to the Shareholders

NOTICE is hereby given that the Sixty-ninth 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 4th August, 2011 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 Auditors' Report thereon for the financial year ended 31st March, 2011.
- (2) To appoint a Director in place of Shri C. K. Birla who retires by rotation and being eligible offers himself for re-appointment.
- (3) To appoint a Director in place of Shri A. Sankaranarayanan 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., (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 four equal quarterly installments."

Registered Office:  
'Birla Building'  
9/1, Rajendra Nath Mukherjee Road  
Kolkata 700 001  
Dated, the 7th June, 2011

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 C. K. Birla and Shri A. Sankaranarayanan, 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 28th July, 2011 to Thursday, 4th August, 2011 (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.

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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 our Registrar and 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, Auditors' 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 Private Limited, Plot Nos. 17 to 24 Vittal Rao Nagar, Madhapur, Hyderabad 500 081 for sending documents through e-mail.**

## Directors' Report to the Shareholders

Your Directors present their Sixty-ninth Annual Report together with annual accounts of the Company for the year ended March 31, 2011.

### Financial Results

During the year under review, the Company's revenue was ₹ 850 Crores compared to ₹ 737 Crores in the previous financial year. The following table gives a summary of the performance.

	(₹ in Crores)	
	2010-11	2009-10
Gross sales and services	850.04	736.88
Profit/(Loss) before Interest,		
Depreciation and Taxes	40.14	(4.59)
Interest Payment	27.16	11.04
Depreciation	16.74	17.63
Profit / (Loss) before Tax	(3.76)	(33.26)
Provision for Tax	(4.51)	17.84
Profit / (Loss) After Taxation	0.75	(51.10)

The revenue account shows a profit of ₹ 0.75 Crore after providing ₹ 16.74 Crores for depreciation and taking credit of ₹ 4.51 Crores for deferred tax net of other taxes. There was a debit balance of ₹ 132.28 Crores in the Profit and Loss Account, which was brought forward from last year. After setting off the sums available from reduction of equity share capital by half and writing off securities premium account and considering the results of the year under review, there is a closing debit balance of ₹ 47.76 Crores in the Profit and Loss Account.

During the year, in respect of a sale tax demand on the Company aggregating to ₹ 85.83 Crores, the Hon'ble Supreme Court of India decided the matter in favour of the Company.

During the year, the Company sold 62,18,000 equity shares of ₹ 10/- each (including 48,00,000 to its subsidiary) of AVTEC Limited and its immovable properties at Chennai and Halol, Gujarat and aggregate profit of ₹ 96.80 Crores thereon has been included in the Profit and Loss Account. Consequent to the sale of shares held by the Company in

AVTEC Limited, its holding in AVTEC Limited reduced from 49% to 24.13%.

The Company subscribed to additional 45,50,000 equity shares of ₹ 10/- each at a premium of ₹. 140/- per share of its subsidiary, HM Export Limited during the year aggregating to ₹ 68.25 Crores after obtaining approval of shareholders through postal ballot.

As you are aware that the accumulated losses of the Company at the end of financial year 31st March, 2010 had resulted in erosion of more than fifty percent of its peak net worth during the immediately preceding four financial years and therefore the Company had to report to the Board for Industrial and Financial Reconstruction (BIFR) about such erosion of net worth under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985. Your directors are pleased to inform that the accumulated losses of the Company at the end of financial year 31st March, 2011 reduced to less than the fifty percent of its peak net worth during the immediately preceding four financial years and therefore the Company has ceased to be "potentially sick company" under the provisions of Section 23 of Sick Industrial Companies (Special Provisions) Act, 1985. An intimation in this regard shall be made to BIFR.

Due to sale of property at Halol, Gujarat and consequent profit, the Lenders have made a claim of recompense of interest under Corporate Debt Restructuring Scheme. The Company has requested the Lenders to be reasonable in their claim. Pending final decision, provision has been made for ₹ 15 Crores on account of this which has since been paid to Lenders in April, 2011.

A Cash Flow statement for the year under review is also attached to the enclosed Annual Accounts.

### Reduction of Share Capital and writing off Securities Premium Account

As a part of capital restructuring exercise, shareholders of the Company approved capital reduction on 16th November, 2010 through postal ballot which was duly confirmed by the Hon'ble High Court at Calcutta vide its Order dated 15th



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December, 2010 and Certificate of Registration of the said Order was issued by the Registrar of Companies, West Bengal on 11th January, 2011. Pursuant to this, the Company reduced the paid up value of equity shares from ₹ 10/- each to ₹ 5/- each with effect from 11th January, 2011 resulting in reduction of the Share Capital and has set off the sums available from reduction in Share Capital of ₹ 80.59 Crores and writing off the Securities Premium Account to the extent of ₹ 3.71 Crores against the debit balance of Profit & Loss Account as on 31st March, 2010. The nominal value of equity shares was also simultaneously reduced from ₹ 10/- each to ₹ 5/- each by amending the Memorandum of Association of the Company.

The trading in equity shares of the Company was suspended from 27th January, 2011 to give effect to reduction in equity share capital of the Company which recommenced from 21st February, 2011.

### **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, Lancer, Cedia, Sports Utility Vehicles namely, Pajero, Montero and Outlander and the goods carrying Mini Truck called 'Winner'.

Sale of automobiles during the year under review consisting of Ambassador, Winner, Lancer, Cedia, Sports Utility Vehicle and other Utility Vehicles is 10097 compared to 11003 nos. during the previous financial year. Though the overall growth of automobile industry was better than expected, the sale of Ambassador was affected due to slow down in orders from Kolkata taxi replacement market, implementation of BSIV emission norms in 13 major cities while the Company did not have any BSIV diesel engine and lower orders from government customers. The Sports Utility Vehicle - Outlander was well received in the market and the Company was able to sell 1243 nos. as against 411 nos. in the previous year. The support provided by the foreign collaborator by reducing the kit prices as well as the benefit from increased volume of Outlander were more than offset by adverse movement in foreign exchange rates affecting the profitability of vehicles sold from the Company's Chennai Car Plant. In addition,

the Company minimized pressure on margins by way of increase in sale price of vehicles, aggressive cost reduction and value engineering measures.

During the year, your Company launched a new model Lancer EVO X, a luxury sedan with next generation technology, Pajero meeting BSIV emission norms and an improved version of Montero from the Chennai Car Plant. From the Uttarpara Plant, an improved version of Ambassador, called Ambassador Discovery with improved interiors and upgraded variants of Mini Truck, Winner were introduced. These new products are expected to generate favourable response in the market place and increase the sales of your Company in the current financial year.

On the component business front, several new customers and orders were acquired and these products are under development for both castings and forgings business which are expected to add to the Company's component business in the current financial year.

The Company's branch in Japan, engaged in engineering design related software work was closed during the year. Your Company is taking steps, subject to necessary compliances and approvals, to close the Company's subsidiary in USA, also engaged in engineering design related software.

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

### **Outlook for 2011-12**

The Indian economy is expected to grow at a higher rate during 2011-12. However, due to higher borrowing cost and surge in commodity prices, the growth in automobile industry is expected to be moderate during the current financial year. The Company is preparing to launch new variants of Ambassador in the fast growing Commercial vehicles segment, during the current financial year.

The Company also plans to launch a complete new generation of its popular Sports Utility Vehicle, Pajero called Pajero Sports, 7-seater Outlander, upgraded Montero, two new variants of Ambassador - one as a pickup and another as a commercial passenger carrier for more than 7 passengers as well as facelift of the Winner and introduce a passenger carrier of Winner during the current financial year. The new variants of Ambassador along with recently launched new

variants of Winner from Uttarpara plant; utilisation of Pithampur plant for manufacturing of Winner and Winner variants; and Outlander 7-seater, Pajero Sports BU and Pajero BSIV from Chennai Car Plant are likely to augur well for the Company. The Company is also strengthening its distribution network by expanding its dealerships as well as opening new warehouses to ensure timely deliveries. The Company 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, those customers and products that were acquired during the year under review will come in the regular production stream in the current financial year and will add to the business of the Company.

#### **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 factors continuously being focused for development of the employees of the Company.

The Company is taking steps to start an Industrial Training Centre in Hindmotor, West Bengal to help in improving the employability of the local youths as well as have a steady source of trained personnel to it, its dealer and the industry generally.

#### **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 are 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 financial year 2010-11 and the date of this report.

There has also been no change during the financial year under review in the nature of Company's business or in the Company's subsidiaries. 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.

#### **Subsidiaries**

The Company has sold 143 shares of ₹ 10/- each of its subsidiary HM Export Limited during the year under review which has changed the status of subsidiary from wholly owned subsidiary to subsidiary only.

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 all the three subsidiaries namely Hindustan Motor Finance Corporation Limited, HM Export 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.



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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.

The Company will pledge 45,50,000 equity shares of ₹ 10/- each held in its subsidiary, HM Export Limited in favour of Lenders, as additional security to the Lenders under the Corporate Debt Restructuring package.

### **Directors**

At the ensuing Annual General Meeting, Shri C. K. Birla and Shri A. Sankaranarayanan, 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

New Delhi

16th May, 2011

**C.K. Birla**

*Chairman*

## Annexure-1 to the Directors' Report

### Management Discussion & Analysis Report

#### Industry Structure & Development

During the year under review the overall economy registered a GDP growth rate of 8.6% as per the Economic Survey tabled by the Government. The index of industrial production was lower at 7.8% in this year compared to 10.1% in the previous year. Sale of Passenger Vehicles in the country grew by 29.16% compared to 25.67% in the immediate preceding year.

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

Domestic Sales - Nos	2009-10	2010-11	% age Increase
Passenger Cars	1528337	1982702	29.73
Utility Vehicles	272740	324212	18.87
Multi-purpose Vehicles	150256	213507	42.10
<b>Total Passenger Vehicles</b>	<b>1951333</b>	<b>2520421</b>	<b>29.16</b>

Source : Society of Indian Automobile Manufacturers - Flash Report

Sale of Company's vehicles during the year was 10097 numbers compared to 11003 numbers in the previous financial year. The Company operates in niche segments only. The decline in number of vehicles sold was mainly due to slowdown in order from Kolkata taxi replacement market, implementation of BS-IV emission norms with effect from 1st April, 2010 in 13 major cities while Company was not having any BS-IV compatible diesel engine thus losing sale in these major markets and decline in order from government customers inspite of increase in volume of the Sports Utility Vehicle, Outlander which was well received in the market. The support provided by the foreign collaborator by reducing the kit prices and benefit from the increased volume of Outlander were more than offset by adverse fluctuation in foreign exchange severely affecting profitability of Chennai Car Plant operations. The Company took

measures like increase in sale price of vehicles as well as value engineering and cost reduction initiatives etc.

During the year, the Company's Chennai Car Plant launched improved version of Montero in July, 2010, a new luxury sedan Lancer EVO X in November, 2010 and Pajero meeting the BS-IV emission norms in March, 2011. The Company also launched an improved version of Ambassador, called Ambassador Discovery with improved interiors in November, 2010 and upgraded variants of Mini Truck, Winner in February, 2011. These new products are expected to receive favourable response in the market.

#### Opportunities & Threats

The economy is expected to continue to grow during the current financial year. The forecast of GDP growth rate for 2011-12 is 9 +/- 0.25 %. In view of the higher GDP and good industrial production growth rates, demand for the passenger vehicles is expected to continue to grow during 2011-12. With the continuous increase in capacities and introduction of newer models, competition will remain high. The higher borrowing cost, continuous increases in fuel prices, surging prices of commodities, higher import duties and removal of government incentives could impact demand during the current financial year.

The Company is hopeful of registering growth in sales during the current year both from its Chennai Car Plant as well as from the Uttarpara Plant. The Company expects to increase its market share in the growing SUV segment with its existing models as well as by introducing new models in the segment. The Company will launch a complete new generation Pajero, called Pajero Sports, a new version 7-seater Outlander, upgraded Montero, new variants of Ambassador for use in commercial vehicle segment, a facelift model of Winner - Winner XD Plus (Diesel and CNG Versions)

and passenger carrier version of Winner, during the current financial year which are expected to improve its sale. The recently launched upgraded variants of small goods carrying Mini Truck, Winner is also expected to contribute to the increase in volumes during the current year. 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 of the country.

With the growth in the automobile industry, the opportunities in auto component business have also been increasing. The Company is taking number of initiatives for development of the auto component business by approaching both domestic and overseas customers and these initiatives have resulted in acquisition of several new products and projects which will increase the revenue as well as contribution for the component business.

#### **Financial Performance**

Total turnover of the Company during the year was ₹ 850 Crores against ₹ 737 Crores in the previous year. The turnover increased by 15% compared to previous financial year. The profit before interest, depreciation and taxation for the year was ₹40.14 Crores after including other income of ₹ 107.15 Crores which includes profit from sale of shares of AVTEC Limited and its immovable properties at Chennai and Halol, Gujarat. The profitability of the Company was adversely affected due to lower sales of Ambassador, adverse foreign exchange and increase in material cost.

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 year 2011-12 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

New Delhi  
16th May, 2011

**C.K. Birla**  
*Chairman*

## 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 ten members comprising of one Executive Director and nine Non-Executive Directors. The Non-Executive Directors account for ninety percent of Board's strength against minimum requirement of fifty percent as per Clause 49 of the listing agreement. There are six 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	6	-	-
Shri Naresh Chandra	Independent - Non-Executive	11	9	-
Shri Pradip Kumar Khaitan	Not Independent - Non-Executive	12	5	-
Dr. Anand C. Burman	Independent - Non-Executive	8	1	-
Shri Kranti Sinha	Independent - Non-Executive	3	4	3
Shri Yogesh Kr. Rastogi	Independent - Non-Executive - ICICI Nominee-Lender	3	1	-
Shri A. Sankaranarayanan	Not Independent - Non-Executive	3	1	1
Shri Subroto Gupta	Independent - Non-Executive - IDBI Nominee- Lender	-	-	-
Shri Vijay Kumar Sharma	Independent - Non-Executive - LIC Nominee	5	-	-
Shri Manoj Jha	Managing Director	-	-	-

\* only public limited companies have been considered.

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

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Shri R. Santhanam ceased to be a Managing Director of the Company with effect from 19th May, 2010 and Shri Manoj Jha was appointed as Managing Director of the Company with effect from 19th May, 2010.

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., the Company's Solicitors and Advocates. There is no inter se relationship between the Directors.

### (b) Board Meetings

During the year ended 31st March, 2011, five meetings of the Board of Directors were held on 1st May, 2010, 10th August, 2010, 8th October, 2010, 1st November, 2010 and 27th January, 2011. 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	5	5	Yes
Shri Naresh Chandra	5	5	Yes
Shri Pradip Kumar Khaitan	5	4	Yes
Dr. Anand C. Burman	5	2	No
Shri Kranti Sinha	5	4	Yes
Shri Yogesh Kr. Rastogi	5	2	Yes
Shri A. Sankaranarayanan	5	5	Yes
Shri Subroto Gupta	5	5	Yes
Shri Vijay Kumar Sharma	5	3	Yes
Shri R. Santhanam (ceased to be a Managing Director w.e.f. 19-5-2010)	5	1	N.A.
Shri Manoj Jha (appointed as Managing Director w.e.f. 19-5-2010)	5	4	Yes

### (c) Shareholding of Non-Executive Directors

As on 31st March, 2011 number of shares held by Non-Executive Directors were as follows:-

Name of Non-Executive Directors	No. of Shares held on 31st March, 2011
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 Yogesh Kr. Rastogi	Independent and Non-Executive Director	Member
Shri A. Sankaranarayanan	Not Independent and Non-Executive Director	Member
Shri Subroto Gupta	Independent and Non-Executive Director	Member
Shri Vijay Kumar Sharma	Independent and Non-Executive Director	Member

- Composition of the Committee is in conformity with clause 49(II) (A) of the Listing Agreement. Three of the members are nominees of Financial Institutions.
- Shri Naresh Chandra, Chairman of the Audit Committee was present at the Annual General Meeting held on 10th August, 2010 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 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 year ended 31st March, 2011 four Audit Committee Meetings were held on 1st May, 2010, 10th August, 2010, 1st November, 2010, 27th January, 2011 and the attendance of the Audit Committee Members was as under:-

#### Audit Committee Meetings

Name of the Audit Committee Members	Held	Attended
Shri Naresh Chandra	4	4
Shri Kranti Sinha	4	4
Shri Yogesh Kr. Rastogi	4	2
Shri A. Sankaranarayanan	4	4
Shri Subroto Gupta	4	4
Shri Vijay Kumar Sharma	4	3

#### 4. Remuneration Committee

The Board of Directors of the Company at their 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.



## HINDUSTAN MOTORS LIMITED

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	Not Independent and Non-Executive Director	Member
Shri Vijay Kumar Sharma	Independent and Non-Executive Director	Member

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

During the year under review, one meeting of the Remuneration Committee was held on 1st May, 2010.

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. The annual increments effective 1st April of each year as recommended by the Remuneration Committee of Directors are also paid. The ceiling on perquisites and allowances is as fixed by the Remuneration Committee of Directors.

### Remuneration paid to Directors during the financial year ended 31st March, 2011

#### Non-Executive Directors

(Amount in ₹)

Name	Sitting fees for attending Committee and Board Meetings
Shri C. K. Birla	50,000
Shri Naresh Chandra	1,20,000
Shri Pradip Kumar Khaitan	1,00,000
Dr. Anand C. Burman	20,000
Shri Kranti Sinha	1,10,000
Shri Yogesh Kr. Rastogi	40,000
Shri A. Sankaranarayanan	1,50,000
Shri Subroto Gupta	1,20,000
Shri Vijay Kumar Sharma	70,000

#### Remuneration of Executive Directors

(Amount in ₹)

	Shri R. Santhanam, Managing Director (1-4-2010 to 18-5-2010)	Shri Manoj Jha, Managing Director (19-5-2010 to 31-3-2011)
Salary* and allowances	8,79,367	1,19,40,323
Benefits	9,96,889 **	2,28,378
Bonuses	-	-
Stock Option	-	-
Contribution* to :		
(i) Superannuation Fund	78,242	-
(ii) Provident Fund	62,594	2,50,065
<b>Total</b>	<b>20,17,092</b>	<b>1,24,18,766</b>

\* does not include contribution to Gratuity Fund and payment of gratuity of ₹ 11,42,308 to Shri R. Santhanam during the year.

\*\* includes leave encashment.

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., Solicitors 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 six months or Company paying six 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	Not Independent and Non-Executive Director	Member

During the year under review only two meetings of such Committee of Directors were held on 11th June, 2010 and 24th July, 2010 in which all the three members were present.

#### 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 year under review four meetings of such committee were held on 16th June, 2010, 14th September, 2010, 15th November, 2010 and 13th February, 2011.

#### 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	Not Independent and Non-Executive Director	Member
Shri Subroto Gupta	Independent and Non-Executive Director	Member
Shri Manoj Jha	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.

## HINDUSTAN MOTORS LIMITED

During the year under review, 163 complaints (including 1 No. of complaint pending as on 1-4-2010) 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 year ended 31st March, 2011. There were no share transfer applications pending for registration as on 31st March, 2011 except 3 applications for 400 shares which are under the category of Seller's Notice.

During the year ended 31st March, 2011 three meetings were held on 1st May, 2010, 8th October, 2010 and 27th January, 2011. 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	3	3
Shri Kranti Sinha	3	2
Shri A. Sankaranarayanan	3	3
Shri Subroto Gupta	3	3
Shri R. Santhanam (ceased to be a member w.e.f. 19-5-2010)	3	1
Shri Manoj Jha (nominated w.e.f. 10-8-2010)	3	2

### Complaints received during the financial year ended 31st March, 2011 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	40	40
Non-receipt of Redemption Warrant	6	6
Non-receipt of Annual Report	1	1
Non-receipt of Securities	70	70
Non-receipt of Fresh/New Securities	1	1
Non-receipt of Securities after transfer	19	19
Non-receipt of Stickers	23	23
Miscellaneous	3	3
	<b>163</b>	<b>163</b>

### 8. General Body Meetings

Nature of the General Meetings held in the last three years	Date	Venue	If Special Resolution(s) passed
Annual General Meeting	10th August, 2010	Kolkata Ice Skating Rink 78, Syed Amir Ali Avenue Kolkata-700019	Yes
Annual General Meeting	24th July, 2009	-do-	Yes
Annual General Meeting	5th August, 2008	-do-	No
Extraordinary General Meeting	10th August, 2010	-do-	No

**Postal Ballot**

During the year, three Special Resolutions and one Ordinary Resolution were passed through Postal Ballot. Shri Trivikram Khaitan 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 16th November, 2010 and advertised in the newspapers.

**Details of the Resolutions passed through Postal Ballot are as follows:**

**Resolution No.1**

- Description**

Special Resolution u/s. 78 and 100 to 103 of the Companies Act, 1956 for writing off Securities Premium Account and reduction of the paid up Equity Share Capital.

- Voting Pattern**

Voting	Number of Votes	Percentage of Total Votes
Votes in favour	52381364	99.34
Votes against	346837	0.66
<b>Total</b>	<b>52728201</b>	<b>100.00</b>

**Resolution No.2**

- Description**

Ordinary Resolution for reclassification of existing equity shares of ₹ 10/- each to ₹ 5/- each and consequent alteration in the Memorandum of Association.

Voting	Number of Votes	Percentage of Total Votes
Votes in favour	52396910	99.42
Votes against	306043	0.58
<b>Total</b>	<b>52702953</b>	<b>100.00</b>

**Resolution No. 3**

- Description**

Special Resolution for substitution of the words "Ordinary Shares" with the words "Equity Shares" in the Memorandum and Articles of Association of the Company.

Voting	Number of Votes	Percentage of Total Votes
Votes in favour	52543556	99.71
Votes against	155286	0.29
<b>Total</b>	<b>52698842</b>	<b>100.00</b>

**Resolution No. 4**

- Description**

Special Resolution u/s 372A of the Companies Act, 1956 for acquiring shares of HM Export Limited up to a limit of ₹ 160 crores.

Voting	Number of Votes	Percentage of Total Votes
Votes in favour	52397200	99.42
Votes against	303103	0.58
<b>Total</b>	<b>52700303</b>	<b>100.00</b>

The procedures prescribed under Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 have been followed for the Postal Ballot conducted during the year for the resolutions mentioned above.

## HINDUSTAN MOTORS LIMITED

### 9. Disclosures

Besides the transactions mentioned elsewhere in the Annual Report, there were no materially significant related party transactions during the year 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 (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	4th August, 2011 at 2.30 PM
Venue	Kolkata Ice Skating Rink, 78, Syed Amir Ali Avenue, Kolkata - 700 019
Financial Calendar for F.Y. 2011-12	a. 1st Quarterly Results - On or before 14th August, 2011
	b. 2nd Quarterly Results - On or before 14th November, 2011
	c. 3rd Quarterly Results - On or before 14th February, 2012
	d. Annual Audited Results - On or before 30th May, 2012
Date of Book closure	28th July, 2011 to 4th August, 2011 (both days inclusive)
Dividend Payment	In view of the cumulative debit balance in the profit & loss account after taking into account the results for the year under review, there did not arise any occasion for the Board of Directors to consider recommending any dividend on the equity shares of the Company.

## HINDUSTAN MOTORS LIMITED

Listing on Stock Exchanges	National Stock Exchange of India Limited "Exchange Plaza", Bandra-Kurla Complex, Bandra (E) Mumbai - 400 051 Tel : 91-22-2659 8235/8236 Fax : 91-22-2659 8237/8238	
	Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400 001 Tel : 91-22-2272 1233/1234 Fax : 91-22-2272 2037/39	
	The Calcutta Stock Exchange Association Limited 7, Lyons Range, Kolkata 700 001 Tel : 91-33-2210 4470-77 Fax : 91-33-2210 2223	
Stock code	National Stock Exchange of India Ltd. Bombay Stock Exchange Ltd. The Calcutta Stock Exchange Association Ltd.	HINDMOTORS 500500 1000012
ISIN Number	INE253A01025 (New ISIN No. for Shares of ₹ 5/- each)	

### Market Price Data

The Company's shares are listed on National Stock Exchange of India Limited, Bombay Stock Exchange Limited and The Calcutta Stock Exchange Association Limited. The monthly high and low quotations of shares traded during the year ended 31st March, 2011 are as below:

(Amount in ₹)

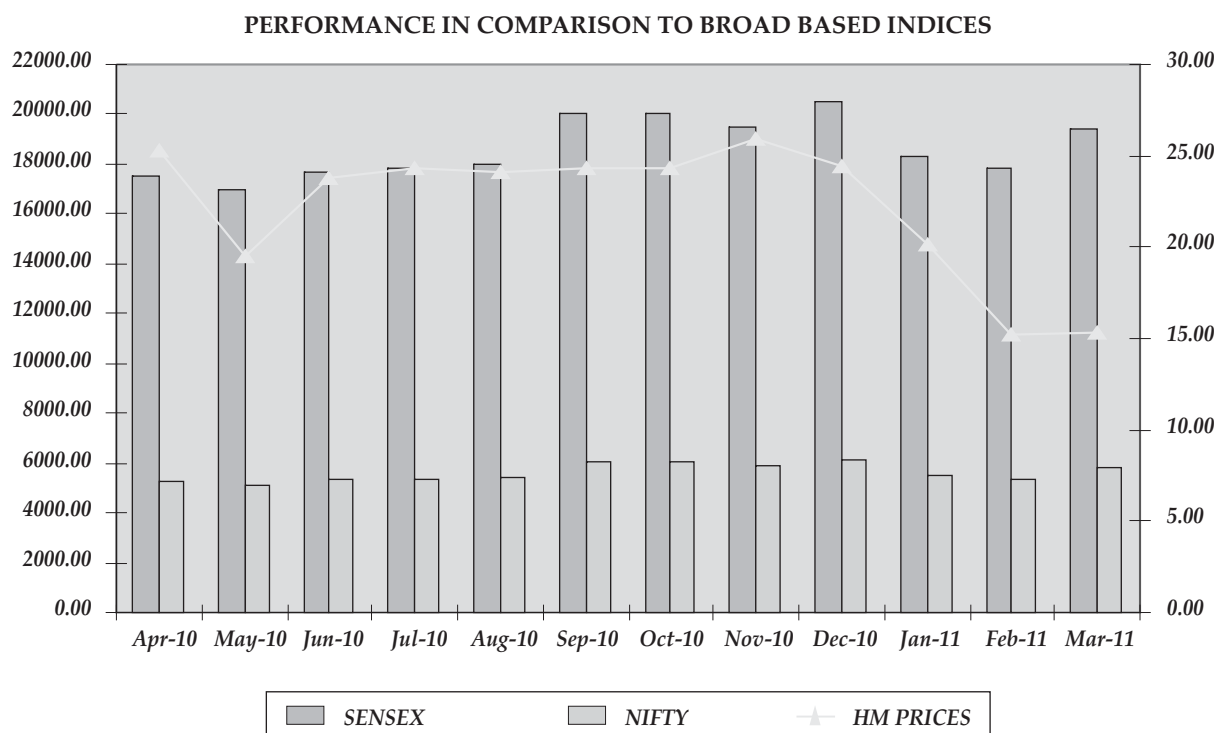
Month	NSE		BSE		CSE	
	High	Low	High	Low	High	Low
April-10	26.30	21.05	26.35	21.10	NIL	NIL
May-10	25.40	18.00	25.30	17.75	NIL	NIL
June-10	27.80	18.90	27.80	18.85	NIL	NIL
July-10	27.15	22.65	27.30	22.70	NIL	NIL
August-10	29.45	24.00	29.40	24.00	NIL	NIL
September-10	26.50	23.15	26.45	23.70	NIL	NIL
October-10	29.05	24.00	27.20	24.00	NIL	NIL
November-10	29.40	22.15	30.30	23.85	NIL	NIL
December-10	27.25	20.05	27.25	21.10	NIL	NIL
January- 11	25.25	19.60	25.25	19.35	NIL	NIL
February - 11	20.95	15.05	21.15	15.05	NIL	NIL
March - 11	17.75	14.60	17.80	15.00	NIL	NIL



## HINDUSTAN MOTORS LIMITED

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) 4465 5000  
Fax : (040) 2342 0814  
E-mail : einward.ris@karvy.com  
mahendra.singh@karvy.com  
Kolkata Office : (033) 2464 7231, 2464 4891

### 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 year ended 31st March, 2011, 52375 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 31st March, 2011**

No. of Shares	Shareholders		Shares	
	Numbers	%	Numbers	%
1 - 500	127234	83.02	22505229	13.96
501 - 1000	14260	9.31	12038010	7.47
1001 - 2000	6238	4.07	9740173	6.04
2001 - 3000	1889	1.23	4903740	3.04
3001 - 4000	797	0.52	2908970	1.80
4001 - 5000	875	0.57	4204103	2.61
5001 - 10000	1062	0.69	8001034	4.97
10001 - 20000	485	0.32	7024683	4.36
20001 and Above	411	0.27	89846051	55.75
<b>TOTAL</b>	<b>153251</b>	<b>100.00</b>	<b>161171993</b>	<b>100.00</b>

**Category of Shareholders as on 31st March, 2011**

Sl. No.	Category	No. of holders	% of holders	No. of Shares	% of Shareholding
1.	Promoters	18	0.01	43873254	27.22
2.	Mutual Funds/UTI	16	0.01	66550	0.04
3.	Financial Institutions/ Banks/ Insurance Companies	63	0.04	9777035	6.07
4.	Foreign Institutional Investors	13	0.01	126517	0.08
5.	Private Corporate Bodies	2068	1.35	21343699	13.24
6.	Resident Individuals	149196	97.36	82144691	50.97
7.	NRIs & OCBs	1738	1.13	3510973	2.18
8.	Clearing Members	128	0.08	311937	0.19
9.	Trusts	11	0.01	17337	0.01
	<b>TOTAL</b>	<b>153251</b>	<b>100.00</b>	<b>161171993</b>	<b>100.00</b>

**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, Bombay Stock Exchange Limited and The Calcutta Stock Exchange Association 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 31st March, 2011, about 92.49% of the Company's shares were held in dematerialised form.

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

## HINDUSTAN MOTORS LIMITED

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### Plant Locations (Manufacturing Units)

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

May 16, 2011

The Board of Directors  
Hindustan Motors Limited  
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/-  
Manoj Jha  
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) 4465 5000  
 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  
 9/1, R. N. Mukherjee Road  
 Kolkata - 700 001  
 Telephone No : (033) 2242 0932/0930  
 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 C. K. Birla	Shri A. Sankaranarayanan
Date of birth	9th January, 1955	29th July, 1942
Date of appointment	13th January, 1982	8th January, 1997
Qualification	B.A.	B.E (Mech)
Nature of expertise in specific functional areas	Industrialist having rich business experience	As an Engineer of high caliber he has expertise in developing and introducing new products, updating existing product range and mix in achieving import substitutions and strengthening the In-house R&D activities.
Names of directorship in other companies (only public limited companies have been considered)	1. Orient Paper & Industries Ltd. 2. National Engineering Industries Ltd. 3. Hyderabad Industries Ltd. 4. Birlasoft Ltd. 5. The Indian Smelting & Refining Co. Ltd. 6. AVTEC Ltd.	1. Birlasoft Ltd. 2. The Indian Smelting & Refining Co. Ltd. 3. AVTEC Ltd.

## HINDUSTAN MOTORS LIMITED

Names of committees of other companies in which the director is a member	NIL	Audit Committee of AVTEC Ltd.
No. of shares held in the Company	6000	1300
Relationships with other Directors	No	No

The above report was placed before and approved by the Board at its Meeting held on 16th May, 2011.

For and on behalf of the Board of Directors

New Delhi  
16th May, 2011

**C. K. Birla**  
*Chairman*

## Auditors' Certificate

To

**The Members of Hindustan Motors Limited**

We have examined the compliance of conditions of corporate governance by Hindustan Motors Limited, for the year ended on March 31, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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.**

Firm Regn. No.: 301003E

*Chartered Accountants*

*Per Raj Agrawal*

*Partner*

Membership No.: 82028

Place: New Delhi  
Date: May 16, 2011

## **Annexure-3 to the Directors' Report**

### **Directors' Responsibility Statement**

The Board of Directors confirms that :

- A In the preparation of the annual accounts, for the year ended 31st March, 2011, 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 financial year and of the profit 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  
16th May, 2011

**C. K. Birla**  
*Chairman*



## Annexure 4 to the Directors' Report

Information under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 (as amended) and forming part of the Directors' Report for the year ended 31st March, 2011.

A) Employed throughout the financial year 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.
Vijay Kumar YVS (46)	Executive Vice President - CCP (23)	6446432	4664955	B.Tech. (Mech.), MBA	16/01/2006	Delphi, Noida / Vice President / 01

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

Jha Manoj (51)	Managing Director (27)	12418766	8786735	B. Tech. (Prod. Engg.)	19/05/2010	Escorts Ltd./Business Head / 02-01
Santhanam R (57)	Managing Director (32) (Upto 18/05/2010)	2017092	1320781	B.Tech., P.G.Dip (Mgmt)	21/04/2004	Mahindra Holiday Resorts Ltd. / Managing Director/ 03
Chowdhury Moloy (56)	Executive Vice President - UTP(32)	5343628	3839221	B.E. (Mech.)	20/01/2006	Govind Rubber Ltd./ Director Operation/01-08

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

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

Nature of employment - Non contractual except Mr. Manoj Jha & Mr. R Santhanam.

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

UTP denotes Automobile Division, Uttarpara Plant (Hindmotor).

CCP denotes Automobile Division, Chennai Car Plant (Tiruvallur).

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

For and on behalf of the Board of Directors

New Delhi  
16th May, 2011

**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 10140 KVA by taking following measures:
  1. Application of power capacitors at different sub stations.
  2. Monitoring peak load time at different shops.
  3. Reducing the number of man cooler fans.
- b. Power factor has been maintained at 0.98 resulting in saving in energy cost.
- c. Water consumption has been reduced from 810 meter cube per day to 705 meter cube per day through water management.
- d. Power consumption for compressor has been maintained at the level of 8000 KWH per day by :
  1. Arresting leakage;
  2. Increasing compressor efficiency and
  3. Running compressor on demand.

##### At CCP Division :

- a) Shifting of some of the production activities to night shift.
- b) Power factor maintained at 0.98.
- c) Substitution of Diesel Generator by purchase of power from Tamil Nadu Electricity Board during peak hours.

##### At RTV Division :

- a. The load demand maintained at 600 KVA.
- b. Power factor is continued to be maintained at 0.98 - 0.99.

#### A.II. Impact of above energy conservation measures:

- |  |   |              |
|--|---|--------------|
| i) Total savings (for all the divisions)           | : | ₹ 34.97 lacs |
| ii) Energy saving per unit of output at            |   |              |
| a. UTP Division                                    | : | ₹ 96.71      |
| b. CCP Division                                    | : | ₹ 387.46     |
| iii) Energy saving against total cost of energy at |   |              |
| a. UTP Division                                    | : | 1.68%        |
| b. CCP Division                                    | : | 4.03%        |

**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 upgraded version of Winner for both Diesel and CNG with improved performance and functionality
- b. Introduction of new version of Ambassador called Ambassador Discovery in Petrol, CNG and Diesel version
- c. Development of new variants based on Ambassador and Winner platform
- d. Upgradation of the existing HM+ 1.5 Diesel engine to meet BS-IV emission norms

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

- a. Introduction of new variants to meet the demand in developing market segment
- b. Compliance of regulatory norms/requirements

**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 other Ambassador & Winner Models
- c. Introduction of more variants on Winner Mini Truck in higher load carrying capacity and passenger carrier vehicles

**B.IB At CCP Division**

**1. Specific areas in which R&D Carried out :**

- a. Development of Pajero to meet BS-IV emission norms
- b. Introduction of Montero meeting BS-IV emission norms
- c. Introduction of new model Lancer Evolution X
- d. Introduction of upgraded CEDIA
- e. Approval of safety parts & vehicles meeting new regulations

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

- a. Compliance of regulatory norms/requirements
- b. Market sustainability through product upgradation with contemporary features

**3. Future plans of action :**

- a. Conformance of current and forthcoming Central Motor Vehicle Rules
- b. Introduction of upgraded model of Pajero
- c. Introduction of upgraded Outlander, Montero and Cedia

**B.IC At RTV Division**

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

- a. Certification of Mini Truck Winner (CNG DAC)

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

- a. Compliance of regulatory norms/requirements

**3. Future plan of action :**

- a. Introduction of manufacturing Mini Truck Winner (Passenger Carrier)

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

(For all the divisions taken together)

Capital Expenditure	: ₹ 194.63 lacs
Recurring	: ₹ 479.28 lacs
Total	: ₹ 673.91 lacs
Percentage of Turnover	: 1.02%

**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 there for and future plan of action
Mitsubishi Lancer with 1600 cc Gasoline Engine	2006	Mitsubishi Motors Corporation, Tokyo, Japan	Technology for in-house manufacturing has been fully absorbed.	Localisation of chassis parts not taken up due to low volumes
Mitsubishi Montero with Manual Transmission	2006	-do-	Technology for CBU route has been fully absorbed.	N.A.
Mitsubishi Montero with Automatic Transmission	2007	-do-	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.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO :**

During the financial year under review the FOB value of exports of goods by the Company aggregated to ₹ 13.03 lacs as against the corresponding figure of ₹ 4.43 lacs for the financial year ended 31st March, 2010.

During the financial year ended 31st March, 2011, the Company has imported components/spare parts, vehicles for trading and capital goods for an aggregate CIF value of ₹ 28853.51 lacs (against a corresponding figure of ₹ 18029.20 lacs for the financial year ended 31st March, 2010). The Company has also incurred expenditure in foreign currency towards Royalties, Technical know-how fees, Interest and other expenses aggregating to ₹ 255.91 lacs (against a corresponding figure of ₹ 188.84 lacs for the financial year ended 31st March, 2010).

For and on behalf of the Board of Directors

New Delhi  
16th May, 2011

**C. K. Birla**  
Chairman

## Disclosure

### **Disclosure of particulars of persons constituting "Group" pursuant to Regulation 3(1)(e)(i) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997**

Amer Investments (Delhi) Limited, Bengal Rubber Company Limited, Birla Brothers Private Limited, Central India Industries Limited, Gwalior Finance Corporation Limited, Hindusthan Discounting Company Limited, Hitaishi Investments Limited, India Silica Magnesite Works Limited, Jaipur Finance & Dairy Products Private Limited, National Bearing Company (Jaipur) Limited, National Engineering Industries Limited, Ranchi Enterprises & Properties Limited, Shekhavati Investment and Traders Limited, Soorya Vanijya & Investment Limited, Miss Avani Birla, Miss Avanti Birla, Shri Chandra Kant Birla, Smt. Amita Birla, Smt. Nirmala Birla.

For and on behalf of the Board of Directors

New Delhi  
16th May, 2011

**C. K. Birla**  
*Chairman*

## AUDITORS' REPORT

### TO THE MEMBERS OF HINDUSTAN MOTORS LIMITED

1. We have audited the attached Balance Sheet of Hindustan Motors Limited ('the Company') as at March 31, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the Order), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Without qualifying our opinion, attention is drawn to Note 3 (f) in Schedule 22 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.
5. Further to our comments in the Annexure referred to above and read together with our comments in paragraph 4 above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books. The Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account as submitted to us.
  - iii. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - iv. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - v. In our opinion and to the best of our information and according to the explanations given to us, the said statements of account, read together with the Notes appearing on Schedule 22, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

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

Regn. No.: 301003E

Chartered Accountants

Per **Raj Agrawal**

Partner

Membership No.: 82028

Place : New Delhi  
Date : May 16, 2011



## **Annexure to the Auditors' Report**

**(Referred to in our Report of even date to the members of Hindustan Motors Limited as at and for the year ended March 31, 2011)**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of 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. As informed, no material discrepancies were noticed on such verification during the year.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. 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) As informed, 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. Therefore, the provisions of clauses 4 (iii)(a) to (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable.
- (e) The Company has taken loans from three companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 1500 lacs and the year-end balance of loans taken from such parties was ₹ 1500 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, the lenders have not demanded repayment of any such loans during the year and thus, there has been no default on the part of the Company. The payment of interest has been regular.
- (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 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 Act that need to be entered into the register maintained under Section 301 have been so entered.
- (b) In respect of transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lacs entered into during the financial year, because of the unique and specialized nature of the items involved, no comparison of prices paid can be made with 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 and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, service tax, cess, income-tax, wealth-tax, customs duty and other material statutory dues have generally been regularly deposited with the appropriate authorities *except for sales tax and excise duty where there have been delays*.
- Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.
- (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 year end, for a period of more than six months from the date they became payable, *except for sales tax of ₹ 277.95 lacs (since 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 and cess on account of any dispute, are as follows:

Name 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	2841.51	1984-2006	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.	438.39	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.	308.22	1989-1999	Deputy Commissioner (Appeals) Tribunal
West Bengal Sales Tax Act, 1994	Non Receipt of Sales tax form Interest, Penalty, Post Return Adjustment etc.	0.37	2003-2004	W.B. Commercial Tax Appellate & Revision Board
West Bengal Value Added Tax Act, 2003	Disallowance of VAT Credit	57.24	2007-2008	Additional 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.	17.75	1990-2006	Commissioner/ Assistant Commissioner Appeals / Tribunal
M.P. Commercial Tax Act, 1994	Exemption Notification denied by Commissioner Appeal	8.58	2002-2003	Commissioner Appeal of Commercial Tax

## HINDUSTAN MOTORS LIMITED

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(x) *The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth and the Company has not incurred cash loss during the year. In the immediately preceding financial year, the Company had incurred cash loss.*

(xi) *Based on our audit procedures and as per the information and explanations given by the management, the Company has overdrawn cash credit borrowings and delayed in repayment of a short term loan from bank during the year, the details whereof are as follows:*

<i>Period of Default</i>	<i>Amount (₹ in lacs)</i>
<i>Less than 30 days</i>	<i>2773.56</i>
<i>30 to 90 days</i>	<i>3672.31</i>

The Company has not defaulted in repayment of dues to a 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 to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xvi) 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 overall examination of the balance sheet of the Company, we report that the Company has used short term funds amounting to ₹ 11600 lacs approximately as at the close of the year (previous year ₹ 8400 lacs) 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 year.

(xx) The Company has not raised any money through a public issue during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

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

Regn. No.: 301003E

Chartered Accountants

Per **Raj Agrawal**

Partner

Membership No.: 82028

Place : New Delhi  
Date : May 16, 2011

**Balance Sheet as at March 31, 2011**

		₹ in lacs	
	Schedule	March 31, 2011	March 31, 2010
<b>SOURCES OF FUNDS</b>			
A. SHAREHOLDERS' FUNDS			
a. Share Capital	1	8067.08	16125.68
b. Reserves & Surplus	2	789.65	1118.70
		<u>8856.73</u>	<u>17244.38</u>
B. LOANS	3		
a. Secured		4052.84	3069.27
b. Unsecured		9063.89	5933.25
		<u>13116.73</u>	<u>9002.52</u>
C. DEFERRED PAYMENT LIABILITIES	4	563.05	837.61
D. DEFERRED TAX LIABILITY (NET)	5	1222.00	1779.37
		<u>23758.51</u>	<u>28863.88</u>
<b>APPLICATION OF FUNDS</b>			
A. FIXED ASSETS	6		
a. Gross Block		48079.25	48014.30
b. Less: Accumulated Depreciation		35294.66	34127.16
c. Net Block		12784.59	13887.14
d. Capital work-in-progress		228.71	426.76
		<u>13013.30</u>	<u>14313.90</u>
B. INVESTMENTS	7	10261.08	6943.52
C. CURRENT ASSETS, LOANS & ADVANCES			
a. Inventories	8	9573.82	7195.60
b. Sundry Debtors	9	2164.85	1293.63
c. Cash and Bank Balances	10	2890.57	4041.78
d. Other Current Assets	11	1.68	36.56
e. Loans & Advances	12	4124.37	4214.43
		<u>18755.29</u>	<u>16782.00</u>
D. LESS: CURRENT LIABILITIES & PROVISIONS	13		
a. Current Liabilities		22228.56	21762.06
b. Provisions		819.01	641.00
		<u>23047.57</u>	<u>22403.06</u>
<b>NET CURRENT ASSETS</b>		<u>(4292.28)</u>	<u>(5621.06)</u>
E. PROFIT & LOSS ACCOUNT DEBIT BALANCE		4776.41	13227.52
		<u>23758.51</u>	<u>28863.88</u>

**ACCOUNTING POLICIES AND NOTES ON ACCOUNTS** 22

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

As per our report of even date.

**S.R. Batliboi & Co.**  
 Registration Number - 301003E  
*Chartered Accountants*  
*Per Raj Agrawal*  
*a Partner*  
 Membership No.: 82028  
 Place: New Delhi  
 May 16, 2011

**Yogesh Goenka**  
*Chief Financial Officer and*  
*Company Secretary*

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

**C. K. Birla**  
*Chairman*

**Manoj Jha**  
*Managing Director*

**Profit & Loss Account for the Year ended March 31, 2011**

			₹ in lacs		
	Schedule		2010-2011	2009-2010	
INCOME					
Sales & Services	14		85004.15		73688.03
Less: Excise Duty		14792.01		12100.89	
Sales Tax & Value Added Tax		<u>4059.43</u>	<u>18851.44</u>	<u>4183.14</u>	<u>16284.03</u>
			66152.71		57404.00
Other Income	15		<u>10714.65</u>		<u>6569.56</u>
			<u>76867.36</u>		<u>63973.56</u>
EXPENDITURE					
(Increase)/Decrease in Stocks	16		(356.55)		70.46
Excise duty on Stocks (Refer Note No.9 on Schedule 22)			(31.91)		121.60
Raw Materials and Components Consumed	17		47575.78		40923.28
Purchase of Trading Goods			6016.20		4808.71
Stores & Spares Consumed			1265.12		1327.07
Fuel & Electricity (Net)			1701.45		1486.48
Payments to and Provisions for Employees	18		8173.86		7139.14
Other Expenses	19		8357.03		8464.75
Directors' Remuneration			<u>152.16</u>		<u>91.09</u>
			<u>72853.14</u>		<u>64432.58</u>
PROFIT/(LOSS) BEFORE INTEREST, DEPRECIATION & TAXATION			<u>4014.22</u>		<u>(459.02)</u>
Interest	20		2716.38		1103.76
Depreciation	21		<u>1673.96</u>		<u>1763.59</u>
			<u>4390.34</u>		<u>2867.35</u>
PROFIT/(LOSS) BEFORE TAXATION			(376.12)		(3326.37)
Provision for Taxation :					
Current Tax			5.25		3.50
Deferred Tax Charge/(Credit)			(557.37)		1779.37
Income Tax Provision for earlier years (Net of write back)			<u>100.77</u>		<u>0.78</u>
			<u>(451.35)</u>		<u>1783.65</u>
PROFIT/(LOSS) AFTER TAXATION			75.23		(5110.02)
Less: Loss Brought forward from Previous year		13227.52		8117.50	
Less: Set off against Share Capital and Securities Premium Account (Refer Note No.10 on Schedule 22)		<u>8375.88</u>	<u>4851.64</u>	<u>—</u>	<u>8117.50</u>
Loss Carried to the Balance Sheet			<u>4776.41</u>		<u>13227.52</u>
Earnings per share - Basic and Diluted (₹)			0.05		(3.17)
Nominal value per share (₹)			5.00		10.00
(Refer Note No.10 & 12 on Schedule 22)					

**ACCOUNTING POLICIES AND NOTES ON ACCOUNTS** 22

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

As per our report of even date.

**S.R. Batliboi & Co.**

Registration Number - 301003E

Chartered Accountants

Per **Raj Agrawal**

a Partner

Membership No.: 82028

Place: New Delhi

May 16, 2011

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

Chairman

**Manoj Jha**

Managing Director

**Yogesh Goenka**  
Chief Financial Officer and  
Company Secretary

**Cash Flow Statement for the year ended March 31, 2011**

	₹ in lacs	
	2010-2011	2009-2010
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES :</b>		
NET LOSS BEFORE TAXATION	(376.12)	(3326.37)
ADJUSTMENTS FOR :		
Depreciation	1673.96	1763.59
Deferred Revenue Expenditure	—	1302.80
Interest Income	(133.96)	(142.09)
Interest Expenses	2716.38	1103.76
Unspent Liabilities no longer required written back	(523.72)	(320.61)
Provision for doubtful debts and advances	41.77	45.93
Unrealised Foreign Exchange Gain (Net)	(54.84)	(65.54)
Loss/(Profit) on Fixed Assets Sold/Discarded	(4391.13)	(5238.52)
Dividend Income	(123.10)	(20.15)
Surplus on Sale of Investments	(5260.16)	(647.38)
<b>OPERATING (LOSS) BEFORE WORKING CAPITAL CHANGES</b>	<b>(6430.92)</b>	<b>(5544.58)</b>
Increase/(Decrease) in Trade Payables	847.00	5513.75
Decrease/(Increase) in Trade & Other Receivables	(699.88)	524.63
Decrease/(Increase) in Inventories	(2378.22)	296.93
<b>CASH USED IN OPERATIONS</b>	<b>(8662.02)</b>	<b>790.73</b>
Add: Direct Tax (Paid) / Refund (Net)	(160.57)	277.65
<b>NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>(8822.59)</b>	<b>1068.38</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Sale of Fixed Assets	4582.20	5594.75
Dividend Received	123.10	20.15
Proceeds from Sale of Investments to a subsidiary company	6768.00	720.69
Proceeds from Sale of Investments to others	1999.60	—
Interest Received on Fixed deposits and others	168.56	108.70
Purchase of Fixed Assets (Including Capital Advances)	(533.71)	(745.67)
Investment in Fixed Deposits with Banks (Maturity period above 3 months)	(12.63)	(1167.00)
Investment in shares of a subsidiary company	(6825.00)	—
Investment in shares of a body corporate	—	(0.20)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>6270.12</b>	<b>4531.42</b>
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from term borrowings from Banks, Financial Institutions	600.00	1000.00
Repayment of term borrowings to Banks and Sales Tax Deferral Credit	(2070.83)	(1555.45)
Net Increase/(Decrease) in Intercompany Deposits	5590.54	(1819.25)
Interest Paid	(2731.08)	(1111.83)
<b>NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>1388.63</b>	<b>(3486.53)</b>
<b>NET CHANGES IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>	<b>(1163.84)</b>	<b>2113.27</b>
<b>CASH &amp; CASH EQUIVALENTS - OPENING BALANCE</b>	<b>4041.78</b>	<b>761.51</b>
<b>CASH &amp; CASH EQUIVALENTS - CLOSING BALANCE</b>	<b>2877.94</b>	<b>2874.78</b>
CASH & CASH EQUIVALENTS - BALANCE AS PER SCHEDULE -10	2890.57	4041.78
Less : Fixed deposits with Banks having maturity period of more than 3 months	12.63	1167.00
<b>CASH &amp; CASH EQUIVALENTS - CLOSING BALANCE as represented above</b>	<b>2877.94 *</b>	<b>2874.78</b>

\* Includes ₹ 1.95 lacs (₹ 1.95 lacs) lying in Unpaid Dividend Account and ₹ 2262.98 lacs (₹ Nil) having restrictive use and ₹ 125.67 lacs (₹ 2417.27 lacs) in Fixed Deposits with Banks.

As per our report of even date.

**S.R. Batliboi & Co.**

Registration Number - 301003E

Chartered Accountants

Per **Raj Agrawal**

a Partner

Membership No.: 82028

Place: New Delhi

May 16, 2011

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

**C. K. Birla**

Chairman

**Yogesh Goenka**  
Chief Financial Officer and  
Company Secretary

**Manoj Jha**  
Managing Director



**Schedules to the Balance Sheet**

		₹ in lacs	
		March 31, 2011	March 31, 2010
<b>SCHEDULE 1 : SHARE CAPITAL</b>			
<b>Authorised :</b>			
33,00,00,000	Equity Shares of ₹ 5 each (₹ 10 each)*	16500.00	16500.00
(16,50,00,000)			
55,00,000	Unclassified Shares of ₹ 100 each	5500.00	5500.00
(55,00,000)			
		<u>22000.00</u>	<u>22000.00</u>
<b>Issued :</b>			
16,15,89,297	Equity Shares of ₹ 5 each (₹ 10 each)*	8079.46	16158.93
(16,15,89,297)			
<b>Subscribed &amp; Paid-up : *</b>			
16,11,71,993	Equity Shares of ₹ 5 each (₹ 10 each) fully paid up	8058.60	16117.20
(16,11,71,993)			
	Add: Forfeited Shares (Amount originally paid up)	8.48	8.48
		<u>8067.08</u>	<u>16125.68</u>

(\*Refer Note No. 10 on Schedule 22)

**Note :**

- 1) Issued, Subscribed & Paid-up Capital includes 15359409 (15359409) Equity shares issued and allotted as fully paid up Bonus shares by capitalisation of Capital Redemption Reserve & General Reserve and 53422010 (53422010) Equity Shares issued and allotted as fully paid-up upon conversion of Fully Convertible Debentures.

**SCHEDULE 2 : RESERVES & SURPLUS****CAPITAL RESERVE**

a) Net Surplus on Revaluation of Fixed Assets:			
As per last account	782.89	885.16	
Less : Adjustment towards assets sold	10.68	101.20	
Less : Transfer to Depreciation Account	1.09	1.07	
	<u>771.12</u>	<u>782.89</u>	
b) Others :			
As per last account	3.53	3.53	
	<u>774.65</u>	<u>786.42</u>	

**SECURITIES PREMIUM ACCOUNT**

As per last account	317.28	317.28	
Less : Set off with Profit & Loss Account Debit Balance	317.28	—	
(Refer Note No. 10 on Schedule 22)	<u>—</u>	<u>317.28</u>	

**CENTRAL SUBSIDY**

As per last account	15.00	15.00	
	<u>789.65</u>	<u>1118.70</u>	

## Schedules to the Balance Sheet

	₹ in lacs	
	March 31, 2011	March 31, 2010
<b>SCHEDULE 3 : LOANS</b>		
SECURED : (Refer Note No. 4 on Schedule 22)		
From Financial Institutions :		
Term Loans	369.03	369.03
From Scheduled Banks :		
Term Loans	1989.63	2389.63
Cash Credits	302.45	301.01
Buyers Credit in foreign currency	1387.63	—
Interest accrued and due	4.10	9.60
	<u>4052.84</u>	<u>3069.27</u>
UNSECURED :		
Sales Tax Deferral Credit	3108.15*	4178.98
SHORT TERM		
From Subsidiary Companies	310.00	210.00
From Other Bodies Corporate	5325.00	1288.33
Security & Other Deposits	320.74	255.94
	<u>9063.89</u>	<u>5933.25</u>
	<u>13116.73</u>	<u>9002.52</u>

\* Includes ₹ 1038.44 lacs (₹ 1070.83 lacs) due for payment within one year.

### SCHEDULE 4 : DEFERRED PAYMENT LIABILITIES

Voluntary Retirement Schemes	<u>563.05*</u>	<u>837.61</u>
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\* Includes ₹ 216.02 lacs (₹ 318.86 lacs) due for payment within one year.

### SCHEDULE 5 : DEFERRED TAX LIABILITY (NET)

As per last account	1779.37	—
Deferred Tax Charge / (Credit) for the year	(557.37)	1779.37
(Refer Note No. 5 on Schedule 22)	<u>1222.00</u>	<u>1779.37</u>



## Schedule to the Balance Sheet

### SCHEDULE 6 : FIXED ASSETS

₹ in lacs

DESCRIPTION OF ASSETS	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	As at March 31, 2010	Additions	Sales / Adjustments	As at March. 31, 2011	Upto March 31, 2010	For the year	Less: On Sales/ Adjustments	Upto March. 31, 2011	As at March. 31, 2011 As at March 31, 2010
<b>TANGIBLE ASSETS</b>									
FREEHOLD LAND	702.88	-	8.07	694.81	-	-	-	-	702.88
LEASEHOLD LAND	35.83	-	5.67	30.16	8.43	0.37	1.46	7.34	22.82
BUILDINGS	9378.50	10.81	110.15	9279.16 (a)	5042.82	207.51	39.16	5211.17	4067.99
MACHINERY & EQUIPMENTS	35586.81	423.53	432.00	35578.34	28007.77	1190.01	402.59	28795.19	6783.15
FURNITURE & FITTINGS	683.71	28.51	44.32	667.90	516.15	25.30	31.62	509.83	158.07
VEHICLES	864.75	143.15	109.09	898.81	302.26	103.51	32.72	373.05	525.76
	47252.48	606.00	709.30	47149.18	33877.43	1526.70	507.55	34896.58	12252.60
<b>INTANGIBLE ASSETS</b>									
SOFTWARE	45.95	51.65	-	97.60	14.28	8.31	-	22.59	75.01
TECHNICAL KNOW-HOW	715.87	116.60	-	832.47	235.45	140.04	-	375.49	456.98
	761.82	168.25	-	930.07	249.73	148.35	-	398.08	531.99
	48014.30	774.25 (b)	709.30	48079.25	34127.16	1675.05	507.55	35294.66	12784.59
CAPITAL WORK IN PROGRESS	426.76	136.06	334.11	228.71	-	-	-	-	426.76
TOTAL	48441.06	910.31	1043.41	48307.96 (c)	34127.16	1675.05	507.55	35294.66	13013.30
PREVIOUS YEAR'S TOTAL	48496.90	870.15	865.99	48441.06	32725.02	1764.66	362.52	34127.16	14313.90
									15771.88

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

(b) Includes Capital Expenditure on Scientific Research ₹ 194.63 Lacs (₹ 0.64 Lacs).

(c) Includes proportionate cost of a part of Building (on leasehold land) and Other Assets amounting to ₹ 79.57 Lacs (₹ 79.57 Lacs) held in Joint Ownership basis with others at Kolkata.

(d) Land & Buildings of Uttarpara Unit were revalued during the year ended 31.03.84 and the resulting Surplus thereon, was transferred to Revaluation Reserve.

## Schedule to the Balance Sheet

			₹ in lacs	
			March 31, 2011	March 31, 2010
SCHEDULE 7 : INVESTMENTS (At Cost)	Number of Shares	Face Value Per Share ₹		
<b>LONG TERM, UNQUOTED (OTHER THAN TRADE)(FULLY PAID)</b>				
<b>* GOVERNMENT SECURITIES :</b>				
12 Year National Planning Certificates			0.02	0.02
12 Year National Defence Certificates			0.02	0.02
National Savings Certificates			0.06	0.06
			<u>0.10</u>	<u>0.10</u>
<b>EQUITY SHARES</b>				
Birla Buildings Ltd.	30000 (30000)	10	3.00	3.00
AVTEC Ltd. @	6032000 ** (12250000)	10	3402.52	6909.96
(a company under the same management) ***				
Pithampur Auto Cluster Ltd.	50000 (50000)	10	5.00	5.00
Bengal Shriram Hitech City Private Ltd.	2000 (2000)	10	0.20	0.20
			<u>3410.72</u>	<u>6918.16</u>
<b>IN SUBSIDIARY COMPANIES :</b>				
<b>EQUITY SHARES</b>				
Hindustan Motor Finance Corporation Ltd.	250000 (250000)	10	25.05	25.05
HM Export Ltd. #	4599857 ## (50000)	10	6825.21	0.21
<b>COMMON STOCK</b>				
Hindustan Motors Ltd.	100000 (100000)	\$ 4	163.09	163.09
(Incorporated in state of Delaware, USA)			<u>7013.35</u>	<u>188.35</u>
			10424.17	7106.61
Less: Provision for diminution in the value of Investment in an overseas subsidiary			<u>163.09</u>	<u>163.09</u>
			<u>10261.08</u>	<u>6943.52</u>

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

\*\* Excludes 6218000 shares sold during the year (including 4800000 shares sold to a subsidiary company).

@ Undertaking given to the Financial Institutions and Banks for non - disposal of the investment.

\*\*\* Being an associate of the Company.

# 4550000 shares are to be pledged as additional security to the Financial Institutions and Banks.

## During the year, subscribed to 4550000 additional equity shares and sold 143 equity shares of ₹ 10 each.

## Schedules to the Balance Sheet

	₹ in lacs	
	March 31, 2011	March 31, 2010
<b>SCHEDULE 8 : INVENTORIES</b>		
At lower of cost and net realisable value		
Stores & Spares	111.70	138.57
Loose Tools	129.32	139.55
Raw Materials and Components	6204.53	4145.76
Goods under process	1075.95	877.83
Finished Goods	521.81	711.16
Trading Goods	1530.51	1182.73
	<u>9573.82 *</u>	<u>7195.60</u>

\* Includes lying with third parties / in Bond and in transit ₹ 4820.31 lacs (₹ 1731.71 lacs)

### SCHEDULE 9 : SUNDRY DEBTORS

#### Considered good except otherwise stated :

(a) Debts outstanding for a period exceeding six months :		
Secured	5.57	3.99
Unsecured	<u>279.75 *</u>	<u>212.60</u>
	<u>285.32</u>	<u>216.59</u>
(b) Other Debts :		
Secured	59.71	34.42
Unsecured	<u>2022.55</u>	<u>1194.43</u>
	<u>2082.26</u>	<u>1228.85</u>
	<u>2367.58 **</u>	<u>1445.44</u>
Less: Provision for doubtful debts	<u>202.73</u>	<u>151.81</u>
	<u>2164.85</u>	<u>1293.63</u>

\* Includes considered doubtful ₹ 202.73 lacs (₹ 151.81 lacs)

\*\* Includes due from subsidiary companies ₹ 618.17 lacs (₹ 225.83 lacs).

### SCHEDULE 10 : CASH & BANK BALANCES

Cash-on-hand	5.08	6.47
Remittances in transit	235.73	262.74
With Scheduled Banks on :		
Fixed Deposit Account	138.30 *	3584.27
Current Account	2509.51 **	186.35
Unpaid Dividend	<u>1.95 ***</u>	<u>1.95</u>
	<u>2890.57</u>	<u>4041.78</u>

\* Includes ₹ 51.21 lacs (₹ 1.15 lacs) deposited as margin money.

\*\* Includes ₹ 2262.98 lacs (₹ Nil) having restrictive use of funds under Corporate Debt Restructuring, since released.

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

### SCHEDULE 11 : OTHER CURRENT ASSETS

#### Unsecured :

#### Considered good except otherwise stated :

Interest accrued on Deposits	0.65	35.25
Export Incentives receivable	7.29	7.29
Insurance & other claims receivable	<u>415.56</u>	<u>415.84</u>
	<u>423.50 *</u>	<u>458.38</u>
Less: Provision for doubtful claims	<u>421.82</u>	<u>421.82</u>
	<u>1.68</u>	<u>36.56</u>

\* Includes considered doubtful ₹ 421.82 lacs (₹ 421.82 lacs).

## Schedules to the Balance Sheet

	₹ in lacs	
	March 31, 2011	March 31, 2010
<b>SCHEDULE 12 : LOANS &amp; ADVANCES</b>		
<b>Unsecured :</b>		
<b>Considered good except otherwise stated :</b>		
Advances against Capital Contracts	180.41	162.46
Other Advances Recoverable in cash or in kind or for value to be received or pending adjustments	991.47 *	1187.32
Balance with Customs, Port Trust & Other Government Departments	367.94	346.07
Sales Tax, VAT and other Refunds receivable (including payments under appeal)	2580.29	2606.65
Advance Payment of Income Tax & Refunds receivable (Net of Provision)	49.99	—
Deposits with Government Departments & Others	323.59	318.07
	4493.69 **	4620.57
Less : Provision for doubtful advances	369.32	406.14
	4124.37	4214.43
* Includes due from a subsidiary company ₹ 107.65 lacs (₹ 107.65 lacs).		
** Includes considered doubtful ₹ 369.32 lacs (₹ 406.14 lacs) including ₹ 107.65 lacs (₹ 107.65 lacs) of a subsidiary company.		
<b>SCHEDULE 13 : CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A. CURRENT LIABILITIES</b>		
Acceptances	3903.01	5791.87
Sundry Creditors for goods, services, expenses etc.		
Dues to Micro & Small Enterprises (Refer Note No.14 on Schedule 22)	1366.11	1594.46
Dues to Others	13299.23 *	8318.43
Advances against Sales/Orders	1516.68	5132.18
Investor Education and Protection Fund		
Unpaid Dividend	1.95 **	1.95
Other Liabilities	2133.03	905.42
Interest accrued but not due:		
On Secured Loans	6.81	6.81
On Unsecured Loans	1.74	10.94
	22228.56	21762.06
* Includes ₹ 2355.52 lacs (₹ 938.94 lacs) due to AVTEC Limited (a company under same management), due to a subsidiary company ₹ 13.90 lacs (₹ 13.90 lacs) and book overdraft of ₹ 672.77 lacs (₹ 882.63 lacs).		
** Amount not deposited as the cases are sub-judice.		
<b>B. PROVISIONS</b>		
Warranties	169.40	250.27
Gratuity	324.71	97.65
Leave Liability	324.90	288.52
Taxation (Net of advance payment, tax at source)	—	4.56
	819.01	641.00
	23047.57	22403.06

## Schedules to the Profit & Loss Account

	₹ in lacs	
	2010-2011	2009-2010
<b>SCHEDULE 14 : SALES &amp; SERVICES</b>		
Finished Goods	75516.90	65496.51
Trading Goods		
Vehicles	2318.76	1921.90
Service Parts (including own manufactured)	6524.13	5825.21
Others [Tax deducted at source ₹ 11.51 lacs (₹ 11.85 lacs)]	644.36	444.41
	<u>85004.15 *</u>	<u>73688.03</u>
* Includes ₹ 6357.12 lacs (₹ 4580.10 lacs) to a subsidiary company.		
<b>SCHEDULE 15 : OTHER INCOME</b>		
Dividend on Long Term Investments (Other than Trade)	123.10	20.15
Interest on Debts, Deposits, Advances etc.	133.96 *	142.09
[Tax deducted at source ₹ 10.93 lacs (₹ 12.97 lacs)]		
Insurance & Other Claims	3.75	46.67
Rent & Hire Charges [Tax deducted at source ₹ 3.37 lacs (₹ 0.66 lacs)]	62.64 **	26.17
Miscellaneous Income [Tax deducted at source ₹ 2.70 lacs (₹ 10.29 lacs)]	216.19	127.97
Unspent Liabilities and Provisions no longer required written back	523.72	320.61
Surplus on sale of Investments	5260.16 ***	647.38
Net surplus on Fixed Assets sold/discarded	4391.13	5238.52
	<u>10714.65</u>	<u>6569.56</u>
* Includes ₹ 29.29 lacs (₹ 20.20 lacs) from a subsidiary company.		
** Includes ₹ 6.60 lacs (₹ 2.75 lacs) from a subsidiary company.		
*** Includes ₹ 4060.42 lacs (₹ Nil) on sale to a subsidiary company.		
<b>SCHEDULE 16 : (INCREASE)/DECREASE IN STOCKS</b>		
Closing Stock :		
Goods under Process	1075.95	877.83
Finished Goods	521.81	711.16
Trading Goods	1530.51	1182.73
	<u>3128.27</u>	<u>2771.72</u>
Less : Opening Stock :		
Goods under Process	877.83	1301.37
Finished Goods	711.16	471.88
Trading Goods	1182.73	1068.93
	<u>2771.72</u>	<u>2842.18</u>
	<u>(356.55)</u>	<u>70.46</u>
<b>SCHEDULE 17 : RAW MATERIALS AND COMPONENTS CONSUMED</b>		
Opening Stock	4145.76	4364.28
Add : Purchases	49840.01	40751.40
	<u>53985.77</u>	<u>45115.68</u>
Less : Transferred to Fixed Assets & Other Accounts	11.66	6.85
Sales	193.80	39.79
Closing Stock	6204.53	4145.76
	<u>6409.99</u>	<u>4192.40</u>
	<u>47575.78</u>	<u>40923.28</u>

## Schedules to the Profit & Loss Account

	₹ in lacs	
	2010-2011	2009-2010
<b>SCHEDULE 18 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
Salaries, Wages & Bonus	6910.93	6065.00
Contribution to Provident, Gratuity & Other Funds	835.09	668.13
Welfare Expenses	427.84	406.01
	<u>8173.86</u>	<u>7139.14</u>

### SCHEDULE 19 : OTHER EXPENSES

Rent & Hire Charges	293.54	249.88
Building Repairs	126.97	127.01
Machinery Repairs	220.07	266.20
Insurance	101.73	110.42
Rates & Taxes	149.52	221.26
Royalty	94.49	83.11
Advertisement, Selling Expenses and Claims (Net)	2766.75	2436.19
Delivery Charges, Freight & Transportation	849.14	681.73
Miscellaneous Expenses	3214.12	2741.24
Exchange Rate Difference (Net)	415.16	114.61
Directors' Travelling	23.46	22.11
Auditors' Remuneration :		
Audit fee	22.00	22.00
Tax audit fee	7.50	7.50
Limited review	13.20	13.20
Certification fees	8.58	11.35
Out of pocket expenses	2.45	3.66
Cost Auditor's Remuneration	1.75	3.50
Deferred Revenue Expenditure written off	—	1302.80
Provision for Doubtful Debts, Claims & Advances	64.60	100.02
Less : Written Back	<u>22.83</u>	<u>54.09</u>
	41.77	45.93
Irrecoverable Debts, Claims & Advances written off	32.50	40.82
Less : Adjusted against Provision	<u>27.67</u>	<u>39.77</u>
	4.83	1.05
	<u>8357.03</u>	<u>8464.75</u>

### SCHEDULE 20 : INTEREST

On Fixed Loans	553.77	586.70
To Banks & Others*	<u>2162.61</u>	<u>517.06</u>
	<u>2716.38</u>	<u>1103.76</u>

\* Includes ₹ 25.72 lacs (₹ 23.10 lacs) to subsidiary companies.

### SCHEDULE 21 : DEPRECIATION

On Fixed Assets	1675.05	1764.66
Less: Transfer from Capital Reserve being additional Depreciation on revalued Fixed Assets	<u>1.09</u>	<u>1.07</u>
	<u>1673.96</u>	<u>1763.59</u>

## Schedule to the Balance Sheet and Profit & Loss Account

### SCHEDULE 22 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### Nature of Operation :

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

#### 1. ACCOUNTING POLICIES :

##### (I) Basis of Preparation :

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis, except in case of certain fixed assets for which revaluation is carried out. Except otherwise mentioned, the accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

##### (II) 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 recognized on a time proportion basis taking into account the amount outstanding and rate applicable.
- (d) Dividends are recognized when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries are recognized even if the same are declared after the balance sheet date but pertain to the period on or before the date of balance sheet as per the requirement of Schedule VI of the Companies Act, 1956.

##### (III) Fixed Assets :

- (a) Fixed Assets are stated at cost of acquisition inclusive of duties (net of Cenvat and VAT), taxes, incidental expenses, erection / commissioning expenses and technical know-how fees etc. upto the date the asset is put to 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 capital 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 at the weighted average cost of capital.
- (d) Assets awaiting disposal are valued at lower of written down value and net realisable value and disclosed separately.

##### (IV) 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.

## Schedule to the Balance Sheet and Profit & Loss Account

- (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.
- (V) **Depreciation :**
- 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.
  - The classification of Plant and Machinery into continuous and non-continuous process is done as per technical certification and depreciation thereon is provided accordingly.
  - Technical Know-how fees included under the head "Intangible Assets" are amortised over the period of respective agreements / 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.
  - Depreciation includes the amount amortised in respect of leasehold land over the respective lease period.
  - 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 life, whichever is higher.
  - Depreciation on fixed assets added / disposed off during the year, is provided on pro-rata basis with reference to the month of addition / disposal.
  - In case of impairment, if any, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.
- (VI) **Fixed Assets acquired under leases :**
- 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.  
Leased assets capitalised are depreciated over the shorter of the estimated useful life of the asset or the lease term.
  - Operating Lease :**  
Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term.



## Schedule to the Balance Sheet and Profit & Loss Account

**(VII) 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 from the time commercial and technological feasibility criteria are met. Expenditure already charged to Profit and Loss Account is not restated.

**(VIII) Investments :**

- (a) Investments that are readily realizable and intended to be held for not more than a 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 foreign companies are considered at the exchange rates prevailing on the date of their acquisition.

**(IX) 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 of the transferor unit 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.

**(X) 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.

**(XI) Cash & Cash Equivalents :**

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

**(XII) Derivative Instruments :**

As per ICAI announcement, derivative contracts, other than those covered under AS - 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.

**(XIII) Retirement & other employee benefits :**

**(a) Defined Contribution plans :**

Company's contributions to Provident Fund and Superannuation Schemes are charged to Profit & Loss Account 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 trusts.

**(b) Defined Benefit plans :**

Gratuity liability and compensated leave liability 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 Account as income or expense.

## Schedule to the Balance Sheet and Profit & Loss Account

**(XIV) 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.

**(XV) 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.

**(XVI) 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 as of 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, 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.

**(XVII) Segment Reporting :**

**(a) Identification of Segments :**

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

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

Common allocable costs are allocated to each segment on case to case basis applying the ratio appropriate to each relevant case. Revenue and expenses which relate to the enterprise as a whole and are not allocable to 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.

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

Provision for product related warranty 'costs' is based on the claims received upto 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.

## Schedule to the Balance Sheet and Profit & Loss Account

(XIX) **Contingencies :**

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

(XX) **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.

(XXI) **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	
		<u>March 31, 2011</u>	<u>March 31, 2010</u>
2.	Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances).	489.18	277.53
3.	Contingent Liabilities not provided for in respect of :		
(a)	Claims & Government demands against the Company not acknowledged as debts.		
i)	Excise Duty	6291.39	5987.69
ii)	Sales Tax	802.25	10408.09
iii)	Customs Duty	373.50	362.87
iv)	Service Tax	958.99	350.46
v)	Others	734.60	837.30
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 ₹ 426.19 lacs (₹ 2531.80 lacs).			
Included in the above are contingent liabilities to the extent of ₹ 1638.17 lacs (₹ 1571.17 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 ₹ 1171.54 lacs (₹ 1171.54 lacs) are covered by counter guarantees by the customers.			
(b)	Outstanding Bank Guarantees for import of materials and other accounts.	544.92	598.52
(c)	Differential Duty on import of Capital goods under Export Promotion Capital Goods Scheme is ₹ 21.80 lacs (₹ 18.96 lacs ).		
(d)	Bonus for the years 1963-64 to 1967-68 at Hindmotor unit which is under adjudication (amount indeterminate). The Company contends that no liability exists in this regard under the Payment of Bonus Act, 1965.		
(e)	Demands for incremental Dearness Allowance during the years 2001 to 2007 at Hindmotor Unit which are under adjudication (amount not ascertained). However, majority of the employees unions have filed joint petition for withdrawal of the case.		

## Schedule to the Balance Sheet and Profit & Loss Account

- (f) 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 has paid a sum of ₹ 1500 lacs to the Lenders in April 2011, which has been accounted for under Interest expense, in these accounts. In view of the above, no further provision there against is considered necessary by the Management.
4. (a) Term Loans ₹ 1758.66 lacs (₹ 1758.66 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.
- (b) Cash Credit facilities from Banks ₹ 302.45 lacs (₹ 301.05 lacs), and buyers credit ₹ 1387.63 lacs (₹ Nil) 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.
- (c) Short Term Loan ₹ Nil (₹ 1009.56 lacs) from a Bank together with interest thereon, is secured by way of a hypothecation charge over all the movable assets including book debts of the Company.
- (d) Short Term Loan ₹ 604.10 lacs (₹ Nil) from a Bank together with interest thereon, is secured by way of subservient charge on all the movable fixed assets and the current assets of the Company.
- (e) The Charges referred to in (a), (b) and (c) above rank pari-passu amongst various Financial Institutions and Banks, and (a) & (b) are yet to be additionally secured by way of pledge of 4550000 equity shares of HM Export Ltd., a subsidiary company.
5. The break-up of net deferred tax liability as on 31st March 2011 is as under :

	₹ in lacs	
	<u>2010-2011</u>	<u>2009-2010</u>
(a) Deferred tax liability :		
Timing difference in depreciable assets	3204.64	3481.81
(b) Deferred tax assets :		
(i) Expenses allowable against taxable income in future years	1552.82	1702.44
(ii) Unabsorbed depreciation	429.82	—
	<u>1982.64</u>	<u>1702.44</u>
Net Deferred tax liability (a – b)	<u>1222.00</u>	<u>1779.37</u>

In terms of accounting policy disclosed vide Note No. 1 (XVI) above, Deferred tax assets of ₹ 2879.30 lacs (₹ 3188.82 lacs) arising on account of carried forward unabsorbed business losses have not been recognised in the accounts.

6. Derivative contracts outstanding as at year end are as follows :

(i) In respect of cross currency JPY / USD of JPY 750 lacs (JPY / USD of JPY 6400 lacs).

(ii) Forward cover of USD / INR of USD 22.25 lacs (USD / INR of USD 66 lacs).

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

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

		₹ in lacs	
Sr.No.	Particulars	As at	As at
		<u>March 31, 2011</u>	<u>March 31, 2010</u>
(i)	Acceptances & Sundry Creditors for expenses	1088.39	12.54
(ii)	Advance against supplies	313.94	226.19
(iii)	Buyers Credit	1387.63	—

## Schedule to the Balance Sheet and Profit & Loss Account

7. Consumption of Raw materials, stores and spare parts includes profit / loss on sale thereof.
8. In certain cases, excise duty on items transferred from one division to another for captive use has been accounted for based on actual payments at provisional rates. Additional liability, if any, in this regard will be accounted for on determination of the final rates, but it will have no impact on the Company's profitability, since the same will be claimable as Cenvat benefit by the transferee unit.
9. Excise duty on stocks represents differential excise duty on opening and closing inventories.
10. Shareholders of the Company have approved Capital reduction on 16th November, 2010 through postal ballot which was duly confirmed by the Hon'ble High Court at Calcutta vide its Order dated 15th December, 2010 and Certificate of Registration of the said Order was issued by the Registrar of Companies, West Bengal on 11th January, 2011. Pursuant to this, debit balance in Profit & Loss Account as on 31st March, 2010 has been reduced by ₹ 8375.88 lacs by reducing the paid up value of the Equity Shares from ₹ 10/- each to ₹ 5/- each with effect from 11th January, 2011 resulting in reduction of ₹ 8058.60 lacs in the Subscribed and Paid up Equity Share Capital from ₹ 16117.20 lacs (16,11,71,993 Equity Shares of ₹ 10/- each) to ₹ 8058.60 lacs (16,11,71,993 Equity Shares of ₹ 5/- each) and adjusting the Securities Premium Account to the extent of ₹ 317.28 lacs.

		₹ in lacs	
		2010-2011	2009-2010
11. (a)	Managing Director's Remuneration \$		
	Salary, Allowance etc.	136.34	69.55
	Contribution to Provident and other Funds	3.91	9.72
	Others	4.11	5.72
		144.36 *	84.99
(b)	Directors' Fees	7.80	6.10
		152.16	91.09
\$ Excluding gratuity of ₹ 11.42 lacs paid to Mr. R. Santhanam during the year.			
* Represents ₹ 20.17 lacs (₹ 84.99 lacs) paid to Mr. R. Santhanam, Managing Director (upto 18th May, 2010) and ₹ 124.19 lacs (₹ Nil) paid to Mr. Manoj Jha, Managing Director (from 19th May, 2010).			

### Note :

- (1) In view of carried forward loss under the provisions of Section 349 of the Companies Act, 1956, the detailed computation of profit for the purpose of Managerial Remuneration has not been furnished.
  - (2) As the provision for gratuity and leave encashment is made on an actuarial basis by the Company as a whole the amount pertaining to the Managing Directors are not included above.
12. Earnings per Share (EPS)
- In terms of Accounting Standard 20, the calculation of EPS is given below :-

	2010-2011	2009-2010
Profit/(Loss) after taxation as per accounts ( ₹ in lacs )	75.23	(5110.02)
Weighted average No. of Equity Shares outstanding during the year	161171993	161171993
Nominal value of Shares (₹)	5	10
Basic and Diluted EPS (₹)	0.05	(3.17)

13. The movement in Provisions for Warranties during the year is as follows:

₹ in lacs				
As at March 31st, 2010	Additions	Amount utilised	Amount written back	As at March 31st, 2011
250.27	188.85	259.74	9.98	169.40
(219.49)	(185.77)	(142.31)	(12.68)	(250.27)

## Schedule to the Balance Sheet and Profit & Loss Account

A Provision is recognized for expected warranty claims on products based on management's estimate of present obligation in this regard during the warranty period, computed on the basis of past experience of the level of repairs.

14. 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>2010-2011</u>	<u>2009-2010</u>
(i) Principal amount remaining unpaid to any supplier at the end of accounting year	1064.43	1269.91
(ii) Interest due on above	62.86	33.38
<b>Total of (i) &amp; (ii)</b>	<b>1127.29</b>	<b>1303.29</b>
(iii) Amount of interest paid/adjusted by the Company to the suppliers	175.44	118.47
(iv) Amounts paid to the suppliers beyond the respective due date	1689.75	2480.18
(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 year	301.68	324.55
(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	—	—

15. Disclosure under Accounting Standard-15 (Revised) on 'Employee Benefits'

	₹ in lacs	
	<u>2010-2011</u>	<u>2009-2010</u>
<b>A. Defined Contribution Plan</b>		
Contribution to Provident Fund	492.16	437.98
Contribution to Superannuation Fund	39.32	42.40

**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 profit & loss account and the funded status and amount recognised in the balance sheet for the respective plan.

Sl. No.	Particulars	₹ in lacs	
		<u>2010-2011</u>	<u>2009-2010</u>
	<b>Gratuity</b>		
<b>I.</b>	<b>Net Employee Expense / ( Benefit )</b>		
1.	Current Service Cost	116.38	105.87
2.	Interest cost on benefit obligation	139.17	124.75
3.	Expected Return on plan assets	(152.83)	(92.97)
4.	Net Actuarial gain/(loss) recognised in the year	(174.11)	(32.54)
5.	Total employee expenses recognised in Profit & Loss Account	276.83	170.19
<b>II.</b>	<b>Actual return on plan assets</b>	156.49	117.19
<b>III.</b>	<b>Benefit Asset/(Liability)</b>		
1.	Defined benefit obligation	2116.77	1795.72
2.	Fair Value of Plan Assets	1792.06	1698.07
3.	Benefit Asset/(Liability)	(324.71)	(97.65)



## Schedule to the Balance Sheet and Profit & Loss Account

		₹ in lacs				
		<u>2010-2011</u>	<u>2009-2010</u>			
<b>IV.</b>	<b><u>Movement in benefit liability</u></b>					
1.	Opening defined benefit obligation	1795.72	1610.58			
2.	Interest cost	139.17	124.75			
3.	Current Service Cost	116.38	105.87			
4.	Benefits paid	(112.28)	(102.25)			
5.	Actuarial ( gains) / losses on obligation	177.78	56.77			
6.	Closing benefit obligation	2116.77	1795.72			
<b>V.</b>	<b><u>Movement in fair value of plan assets</u></b>					
1.	Opening fair value of plan assets	1698.07	1162.20			
2.	Return on plan assets (actual)	156.49	117.19			
3.	Contribution by employer	49.78	520.93			
4.	Benefits paid	(112.28)	(102.25)			
5.	Closing fair value of plan assets	1792.06	1698.07			
<b>VI.</b>	<b><u>The Principal actuarial assumptions are as follows</u></b>					
1.	Discount Rate	8.00%	7.50%			
2.	Salary increase	4.00%	4.00%			
3.	Withdrawal Rate	Varying between 2% & 1% per annum depending upon duration and age of the employees.				
4.	Expected rate of return on Plan assets	9.00%	8.00%			
<b>VII.</b>	<b><u>The major categories of Plan Assets as a percentage of fair value of the total plan assets.</u></b>					
	Investment with Insurer	100%	100%			
<b>VIII.</b>	<b><u>Amounts for the current and previous years are as follows :</u></b>					
		<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
1.	Defined benefit obligation	2116.77	1795.72	1610.58	2838.39	2313.89
2.	Plan Assets	1792.06	1698.07	1162.20	1257.35	1082.79
3.	Surplus / (Deficit)	(324.71)	(97.65)	(448.38)	(1581.04)	(1231.10)

**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 ₹ 120.00 lacs (₹ 120.00 lacs) to Gratuity fund in 2011-2012.
  - Experience adjustment on plan assets & liabilities has been considered in the valuation report as certified by the actuary.
16. In respect of non-cancellable operating leases taken by the Company, the significant leasing agreements relating to certain premises are renewable on expiry of mutually acceptable terms. Such lease payments of ₹ 72.97 lacs (₹ 129.69 lacs) are recognized in the Profit & Loss account as rent and the particulars of future lease payment are as follows

₹ in lacs		
<b>Future Rental Payments</b>	<b>2010-2011</b>	<b>2009-2010</b>
Upto 1 year	37.36	52.70
Later than 1 year & not later than 5 years	55.90	—
More than 5 years	—	—

## Schedule to the Balance Sheet and Profit & Loss Account

### 17. Related Party Disclosures :

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

Subsidiary Companies

HM Export Ltd.

Hindustan Motor Finance Corporation Ltd.

Hindustan Motors Ltd., U.S.A.

Associate Company

AVTEC Limited

Key Management Personnel

Mr. R. Santhanam, Managing Director (Upto 18th May, 2010)

Mr. Manoj Jha, Managing Director (From 19th May, 2010)

#### (b) Aggregated Related Party Disclosures as at and for the year ended March 31, 2011 are as follows. (Transactions have taken place on arm's length basis) \*

₹ in lacs

	Subsidiary Companies			Associate Company	Total
	Hindustan Motors Ltd. U.S.A.	Hindustan Motor Finance Corpn. Ltd.	HM Export Ltd.	AVTEC Ltd.	
Sales	— (—)	6357.12 (4580.10)	— (—)	434.97 (443.82)	6792.09 (5023.92)
Purchases	— (—)	— (—)	— (0.90)	4455.33 (5761.67)	4455.33 (5762.57)
Interest expense	— (—)	8.80 (8.80)	16.92 (14.30)	— (6.90)	25.72 (30.00)
Purchase of Investments	— (—)	— (—)	6825.00 (—)	— (—)	6825.00 (—)
Delivery Charges, Freight & Transportation	— (—)	— (—)	— (—)	— (4.35)	— (4.35)
Misc. Expenses	— (—)	— (—)	— (—)	13.63 (13.60)	13.63 (13.60)
Rent & Hire charges received	— (—)	6.60 (2.75)	— (—)	— (—)	6.60 (2.75)
Rent & Hire charges paid	— (—)	— (—)	— (—)	11.82 (11.82)	11.82 (11.82)
Selling Expenses, Advertisement, Claims	— (—)	— (4.59)	— (—)	-23.12 (-19.74)	-23.12 (-15.15)
Sale of Investments	— (—)	— (—)	6768.00 (—)	— (—)	6768.00 (—)
Dividend received	— (—)	— (—)	— (—)	122.50 (—)	122.50 (—)
Interest Income	— (—)	29.29 (20.20)	— (—)	— (4.45)	29.29 (24.65)
<b>Balance Outstanding at year end</b>					
Intercompany Loans Payable	— (—)	80.00 (80.00)	230.00 (130.00)	— (—)	310.00 (210.00)
Debtors, Loans & Advances	3.63 (3.71)	614.54 (222.12)	— (—)	— (—)	618.17 (225.83)
Creditors & Other Payables	13.90 (13.90)	— (—)	— (—)	2355.52 (938.94)	2369.42 (952.84)
Investment	— (—)	25.05 (25.05)	6825.21 (0.21)	3402.52 (6909.96)	10252.78 (6935.22)

\* Excludes ₹ 144.36 lacs (₹ 84.99 lacs) being remuneration to the Managing Director as disclosed vide Note No. 11 (a) above.



## Schedule to the Balance Sheet and Profit & Loss Account

18. As the Company's business activity falls within a single primary business segment. Viz; 'Automobiles' in India, the disclosure requirement of Accounting Standard-17 "Segment Reporting" as notified by Companies (Accounting Standards) Rules, 2006(as amended) is not applicable.

19. Details of Research costs (₹ in lacs) :-

	Capital Expenditure		Revenue Expenditure	
	2010-2011	2009-2010	2010-2011	2009-2010
HINDMOTOR UNIT *	132.40	0.64	345.02	195.23
CHENNAI CAR PLANT (CCP)	55.00	–	130.63	108.86
PITHAMPUR UNIT (RTV)	7.23	–	3.63	6.46
	<b>194.63</b>	<b>0.64</b>	<b>479.28</b>	<b>310.55</b>

\* Approved Centre

		₹ in lacs	
		<u>2010-2011</u>	<u>2009-2010</u>
20.	(a) The following items are included under other heads in the Profit & Loss Account.		
	Raw Materials and Components	6.62	6.85
	Stores and Spares	73.11	71.45
	(b) Salaries & Wages as well as Stores consumption relating to repairs have not been segregated but are charged to the relevant account heads.		
21.	C.I.F. Value of Imports during the period :		
	(i) Components and Spare Parts	27561.07	17542.05
	(ii) Capital Goods	48.51	115.51
	(iii) Vehicles for Trading	1243.93	371.64
22.	Expenditure in Foreign Currency (subject to deduction of Tax and R.B.I. approval, wherever applicable)		
	(i) Royalties, Technical Know-how Fees and other charges	94.49	83.11
	(ii) Interest	39.53	51.41
	(iii) Other matters	121.89	54.32
23.	Earnings in Foreign Exchange :		
	(i) Export of goods on F.O.B. basis (including inland sales which qualify for export incentives)	13.03	4.43
	(ii) For Incentive & subsidy for advertisement	3.21	–
	(iii) For Insurance, warranty claims & others	32.96	32.97

## Schedule to the Balance Sheet and Profit & Loss Account

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

₹ in lacs					
	Unit	<u>2010-2011</u>		<u>2009-2010</u>	
		Qty.	₹	Qty.	₹
Steel Sheets, Plates & Flats	M/T	3450	1650.37	4520	1950.29
Bars, Billets, Channels & Angles	M/T	2605	1300.39	2689	1225.28
Pig Iron & Scrap	M/T	501	122.45	1059	185.31
Tyres & Tubes	Pcs.	53440	1026.07	54957	970.55
Power Unit	Pcs.	5549	6521.86	5410	6182.22
Other Production Stores and Components [Each being less than 10% of total value of consumption] (including processing charges)			36954.64		30409.63
			<u>47575.78</u>		<u>40923.28</u>

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

	Raw Materials and Components				Stores and Spares			
	<u>2010-2011</u>		<u>2009-2010</u>		<u>2010-2011</u>		<u>2009-2010</u>	
	₹ in lacs	%	₹ in lacs	%	₹ in lacs	%	₹ in lacs	%
Indigenous	21228.57	45	23066.62	56	1331.88	100	1393.68	100
Imported:								
a) CIF Value (Approx)	23324.91	49	16038.72	39	5.34	0	4.07	0
b) Duty, Port Charges, Transport etc. (Approx)	3028.92	6	1824.79	5	1.01	0	0.77	0
	26353.83	55	17863.51	44	6.35	0	4.84	0
	47582.40	100	40930.13	100	1338.23	100	1398.52	100

## Schedule to the Balance Sheet and Profit & Loss Account

### 26. Quantitative Information :

Installed Capacity, Production, Stocks & Sales of Goods Produced / Traded during the year

Class of Goods	Unit	Installed Capacity	Production	Purchased goods for Trading	Opening Stock		Closing Stock		Sales (a)	
					Qty.	₹ in lacs	Qty.	₹ in lacs	Qty.	₹ in lacs
1. On Road Automobiles having four or more wheels (Including Engines, Transmissions, Axles and Spare-Parts thereof)	Nos.	63000 (b) (63000)	10035 (10960)		85 (72)	536.90 (373.13)	94 (85)	467.89 (536.90)	10026 (10947)	73405.22 (63837.87)
2. Steel Products (c)	Tonnes	18000 (18000)	4456 (d) (5344)		- (-)	151.11 (68.64)	- (-)	26.93 (151.11)	- (-)	2111.68 (1658.64)
3. Manufactured Components & Service Parts for Sale	₹ in lacs	-	800.00 (e) (758.00)		-	23.15 (30.11)	-	26.99 (23.15)	-	- (-)
<b>Sub Total (A)</b>						<b>711.16</b> <b>(471.88)</b>		<b>521.81</b> <b>(711.16)</b>		<b>75516.90</b> <b>(65496.51)</b>
4. Purchase of Vehicles for Trading	Nos./ ₹ in Lacs		78 (53)	2378.55 (1486.47)	4 (7)	102.71 (215.60)	11 (4)	450.02 (102.71)	71 (56)	2318.76 (1921.90)
5. Boughtout Components & Service parts for sale	₹ in lacs			3637.65 (3322.24)		1080.02 (853.33)		1080.49 (1080.02)		6524.13 (5825.21)
<b>Sub Total (Trading Goods) (B)</b>				<b>6016.20</b> <b>(4808.71)</b>		<b>1182.73</b> <b>(1068.93)</b>		<b>1530.51</b> <b>(1182.73)</b>		<b>8842.89</b> <b>(7747.11)</b>
6. Others (including semi-finished goods)(C)	₹ in lacs									644.36 (444.41)
<b>Total (A+B+C) :</b>				<b>6016.20</b> <b>(4808.71)</b>		<b>1893.89</b> <b>(1540.81)</b>		<b>2052.32</b> <b>(1893.89)</b>		<b>85004.15</b> <b>(73688.03)</b>

## Schedule to the Balance Sheet and Profit & Loss Account

- (a) Includes excise duty, sales tax, export incentives, insurance claims, transportation & delivery charges and after adjusting incentives / discounts and returns against sales made in earlier years ₹ 76.74 lacs (₹ 77.20 lacs) and including items capitalised ₹ 97.64 lacs (₹ 298.27 lacs).
  - (b) The installed capacity of the plants is not balanced in different manufacturing stages. As a result, in many stages, the capacity is more whereas in some stages, it is less than that mentioned above.
  - (c) Includes Alloy Steel and Mild Steel Forgings & Grey Iron Castings.
  - (d) Including 1423 Tonnes (1746 Tonnes) used for own consumption and for different end-products.
  - (e) At estimated sale value.
  - (f) Sales value of own manufactured spare parts being unascertainable, the same have been grouped under this head.
  - (g) Installed Capacities are certified by the Management and accepted as correct by the Auditors.
  - (h) Licensed Capacity has not been given above in view of the delicensing of various products.
27. Previous year's figures (including those which are in brackets) have been regrouped / rearranged wherever necessary.

As per our report of even date.

**S.R. Batliboi & Co.**

Registration Number - 301003E

*Chartered Accountants*

*Per Raj Agrawal*

*a Partner*

Membership No.: 82028

Place: New Delhi

Date: May 16, 2011

Signatures to Schedules 1 to 22

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

**C. K. Birla**

*Chairman*

**Yogesh Goenka**

*Chief Financial Officer and  
Company Secretary*

**Manoj Jha**

*Managing Director*

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

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

#### I. Registration Details

Registration No.	18967	State Code	21
Balance Sheet Date	31.03.2011		

#### II. Capital raised during the year (₹ in thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

#### III. Position of Mobilisation and Deployment of Funds (₹ in thousands)

Total Liabilities	2375851	Total Assets	2375851
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##### Sources of Funds

Paid up Capital	806708	Reserves & Surplus	78965
Secured Loans	405284	Unsecured Loans	906389
Deferred Payment Liabilities	56305	Deferred Tax Liability	122200

##### Application of Funds

Net Fixed Assets	1301330	Investments	1026108
Net Current Assets	(429228)	Misc. Expenditure	0
Accumulated Losses	477641		

#### IV. Performance of the Company (₹ in thousands)

Turnover	7686736 *	Total Expenditure	7724348
Profit before Tax	(37612)	Profit after Tax	7523
Earnings per Share(Basic & Diluted)	0.05	Dividend rate %	Nil

\* Including Other Income.

#### V. Generic Names of Principal Products of Company

Item Code No. (ITC Code)	Product Description
870300	MOTOR VEHICLES FOR PASSENGERS
870410	MOTOR VEHICLES FOR TRANSPORT OF GOODS

## AUDITORS' REPORT

### TO THE BOARD OF DIRECTORS OF HINDUSTAN MOTORS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HINDUSTAN MOTORS LIMITED, ITS SUBSIDIARY COMPANIES AND THE ASSOCIATE COMPANY

1. We have audited the attached Consolidated Balance Sheet of Hindustan Motors Limited ("Company"), its subsidiary companies and the associate company, as at March 31, 2011, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of ₹ 8004.36 lacs as at March 31, 2011, the total revenue of ₹ 672.86 lacs and cash flows amounting to ₹ 80.28 lacs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the reports of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements, notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).
5. Without qualifying our opinion, attention is drawn to Note 4 (f) in Schedule 22 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.
6. Based on our audit and on the basis of information and explanations given to us and read together with our comments in paragraph 5 above, and also based on the consolidation of the separate audit reports on the individual audited financial statements of Hindustan Motors Limited, its subsidiaries and associate, the consolidated statements of account, read together with the 'Notes' appearing on Schedule 22, 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 consolidated state of affairs of Hindustan Motors Limited, its subsidiary companies and the associate company as at March 31, 2011;
  - b. in the case of the Consolidated Profit and Loss Account, of the consolidated loss of Hindustan Motors Limited, its subsidiary companies and the associate company for the year then ended; and
  - c. in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of Hindustan Motors Limited, its subsidiary companies and the associate company for the year then ended.

For **S.R. BATLIBOI & CO.**  
Regn. No.: 301003E  
*Chartered Accountants*  
**Per Raj Agrawal**  
Partner  
Membership No.: 82028

Place: New Delhi  
Date: May 16, 2011

CONSOLIDATED BALANCE SHEET OF HINDUSTAN MOTORS LIMITED AND  
ITS SUBSIDIARIES AS AT MARCH 31, 2011

		₹ in lacs	
	Schedule	March 31, 2011	March 31, 2010
<b>SOURCES OF FUNDS</b>			
A. SHAREHOLDERS' FUNDS			
a. Share Capital	1	8067.08	16125.68
b. Reserves & Surplus	2	785.58	1114.24
		<u>8852.66</u>	<u>17239.92</u>
B. MINORITY INTEREST		0.21	—
C. LOANS	3		
a. Secured		4052.84	3069.27
b. Unsecured		8753.95	5723.31
		<u>12806.79</u>	<u>8792.58</u>
D. DEFERRED PAYMENT LIABILITIES	4	563.05	837.61
E. DEFERRED TAX LIABILITY (NET)	5	1222.59	1779.96
		<u>23445.30</u>	<u>28650.07</u>
<b>APPLICATION OF FUNDS</b>			
A. FIXED ASSETS	6		
a. Gross Block		48104.36	48038.10
b. Less : Accumulated Depreciation		35303.54	34132.89
c. Net Block		<u>12800.82</u>	<u>13905.21</u>
d. Capital work-in-progress		228.71	426.76
		<u>13029.53</u>	<u>14331.97</u>
B. INVESTMENTS	7	10052.54	10168.68
C. DEFERRED TAX ASSET		1.07	0.97
D. CURRENT ASSETS, LOANS & ADVANCES			
a. Inventories	8	9938.76	7362.23
b. Sundry Debtors	9	1719.46	1257.37
c. Cash and Bank Balances	10	3142.39	4213.33
d. Other Current Assets	11	7.04	40.42
e. Loans & Advances	12	4158.37	4220.83
		<u>18966.02</u>	<u>17094.18</u>
E. LESS : CURRENT LIABILITIES & PROVISIONS	13		
a. Current Liabilities		22307.54	21989.73
b. Provisions		820.23	638.95
		<u>23127.77</u>	<u>22628.68</u>
<b>NET CURRENT ASSETS</b>		<u>(4161.75)</u>	<u>(5534.50)</u>
F. PROFIT & LOSS ACCOUNT DEBIT BALANCE		4523.91	9682.95
		<u>23445.30</u>	<u>28650.07</u>

**ACCOUNTING POLICIES AND NOTES ON ACCOUNTS** 22

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

As per our report of even date.

**S.R. Batliboi & Co.**  
Registration Number - 301003E  
Chartered Accountants  
Per **Raj Agrawal**  
a Partner  
Membership No.: 82028  
Place: New Delhi  
May 16, 2011

**Yogesh Goenka**  
Chief Financial Officer and  
Company Secretary

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

**C. K. Birla**  
Chairman

**Manoj Jha**  
Managing Director

CONSOLIDATED PROFIT & LOSS ACCOUNT OF HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES FOR THE YEAR ENDED MARCH 31, 2011

	Schedule	₹ in lacs	
		2010-2011	2009-2010
<b>INCOME</b>			
Sales & Services	14	86169.45	74680.87
Less : Excise Duty		14792.01	12100.89
Sales Tax & Value Added Tax		4891.11	4801.31
		19683.12	16902.20
Other Income	15	66486.33	57778.67
		6017.26	6555.58
		72503.59	64334.25
<b>EXPENDITURE</b>			
(Increase) / Decrease in Stocks	16	(554.86)	(96.17)
Excise duty on Stocks (Refer Note No.10 on Schedule 22)		(31.91)	121.60
Raw Materials and Components Consumed	17	47578.39	40931.82
Stores & Spares Consumed		1262.74	1327.07
Job charges to Contractors		271.25	392.73
Purchase of Trading Goods		6059.82	4806.09
Fuel & Electricity (Net)		1701.45	1486.48
Payments to and Provisions for Employees	18	8186.31	7150.22
Other Expenses	19	8403.24	8503.15
Directors' Remuneration		152.78	91.71
		73029.21	64714.70
<b>LOSS BEFORE INTEREST, DEPRECIATION &amp; TAXATION</b>		525.62	380.45
Interest	20	2693.69	1081.00
Depreciation	21	1677.11	1766.66
		4370.80	2847.66
<b>LOSS BEFORE TAXATION &amp; MINORITY INTEREST</b>		4896.42	3228.11
Provision for Taxation			
Current Tax		68.85	43.90
Deferred Tax Charge		(557.48)	1778.67
Income Tax Provision for earlier years (Net of Write Back)		101.28	0.72
		(387.35)	1823.29
<b>LOSS AFTER TAXATION &amp; BEFORE MINORITY INTEREST</b>		4509.07	5051.40
Add: Minority Interest		0.21	—
<b>LOSS AFTER TAXATION &amp; MINORITY INTEREST</b>		4509.28	5051.40
Less: Proportionate Share of Profit of the Associate Company		1292.44	766.87
		3216.84	4284.53
Less: Loss Brought forward from Previous year	9682.95	5398.42	
Less: Set off against Share Capital and Securities			
Premium Account (Refer Note No. 12 on Schedule 22)	8375.88	1307.07	—
<b>Loss carried to Balance Sheet</b>		<b>4523.91</b>	<b>9682.95</b>
Earnings per share - Basic and Diluted (₹)		(2.00)	(2.66)
Nominal value per share (₹)		5.00	10.00
(Refer Note Nos.12 & 14 on Schedule 22)			

**ACCOUNTING POLICIES AND NOTES ON ACCOUNTS** 22

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

As per our report of even date.

**S.R. Batliboi & Co.**  
Registration Number - 301003E  
Chartered Accountants  
Per **Raj Agrawal**  
a Partner  
Membership No.: 82028  
Place: New Delhi  
May 16, 2011

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

**C. K. Birla**  
Chairman

**Yogesh Goenka**  
Chief Financial Officer and  
Company Secretary

**Manoj Jha**  
Managing Director



HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES  
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

	₹ in lacs	
	2010-2011	2009-2010
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES :</b>		
NET LOSS BEFORE TAXATION	(4896.42)	(3228.11)
ADJUSTMENTS FOR :		
Depreciation	1677.11	1766.66
Deferred Revenue Expenditure	–	1302.80
Interest Income	(112.20)	(130.87)
Interest Expenses	2693.69	1081.00
Unspent Liabilities no longer required written back	(523.83)	(320.62)
Provision for doubtful debts and advances	41.77	45.93
Unrealised Foreign Exchange (Gain)/Loss (Net)	(54.84)	65.54
Profit on Fixed Assets Sold/Discarded	(4391.13)	(5238.52)
Dividend Income	(0.60)	(20.15)
Surplus on Sale of Investments	(713.52)	(647.38)
<b>OPERATING (LOSS) BEFORE WORKING CAPITAL CHANGES</b>	<b>(6279.97)</b>	<b>(5323.72)</b>
Increase/(Decrease) in Trade Payables	698.64	5403.26
Decrease/(Increase) in Trade & Other Receivables	(326.01)	473.28
(Increase)/Decrease in Inventories	(2576.53)	130.30
<b>CASH FLOW FROM /(USED IN) OPERATIONS</b>	<b>( 8483.87)</b>	<b>683.12</b>
Add: Direct Tax (Paid)/Refund (Net)	(213.55)	227.28
<b>NET CASH FLOW FROM /(USED IN) OPERATING ACTIVITIES</b>	<b>(8697.42)</b>	<b>910.40</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Sale of Fixed Assets	4582.19	5594.70
Dividend Received	0.60	20.15
Proceeds from Sale of Investments to others	2122.10	720.69
Interest received from Fixed Deposits and others	145.30	95.52
Purchase of Fixed Assets (Including Capital Advances)	(535.03)	(766.21)
Investment in Fixed Deposits with Banks (Maturity period above 3 months)	(38.93)	(1167.00)
Investment in shares of a body corporate	–	(0.20)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>6276.23</b>	<b>4497.65</b>
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Term Borrowings from Banks, Financial Institutions	600.00	1000.00
Repayment of term borrowings to Banks and Sales Tax Deferral Credit	(2070.83)	(1555.45)
Net Increase / (Decrease) in Intercompany Deposits	5490.54	(1819.25)
Interest Paid	(2708.39)	(1089.07)
<b>NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>1311.32</b>	<b>(3463.77)</b>
<b>NET CHANGES IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>	<b>(1109.87)</b>	<b>1944.28</b>
<b>CASH &amp; CASH EQUIVALENTS - OPENING BALANCE</b>	<b>4213.33</b>	<b>1102.05</b>
<b>CASH &amp; CASH EQUIVALENTS - CLOSING BALANCE</b>	<b>3103.46</b>	<b>3046.33</b>
<b>CASH &amp; CASH EQUIVALENTS - BALANCE AS PER SCHEDULE -10</b>	<b>3142.39</b>	<b>4213.33</b>
Less: Fixed Deposits with Banks having maturity period of more than 3 months	38.93	1167.00
<b>CASH &amp; CASH EQUIVALENTS - CLOSING BALANCE as represented above</b>	<b>3103.46*</b>	<b>3046.33</b>

\* Includes ₹ 1.95 lacs (₹ 1.95 lacs) lying in Unpaid Dividend Account and ₹ 2262.98 lacs (₹ Nil) having restrictive use and ₹ 262.17 lacs (₹ 2476.03 lacs) in Fixed Deposits with Banks.

As per our report of even date.

**S.R. Batliboi & Co.**  
Registration Number - 301003E  
Chartered Accountants  
Per **Raj Agrawal**  
a Partner  
Membership No.: 82028  
Place: New Delhi  
May 16, 2011

**Yogesh Goenka**  
Chief Financial Officer and  
Company Secretary

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

**C. K. Birla**  
Chairman

**Manoj Jha**  
Managing Director

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES  
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

		₹ in lacs	
		March 31, 2011	March 31, 2010
<b>SCHEDULE 1 : SHARE CAPITAL</b>			
<b>Authorised:</b>			
33,00,00,000 (16,50,00,000)	Equity Shares of ₹ 5 each (₹ 10 each) *	16500.00	16500.00
55,00,000 (55,00,000)	Unclassified Shares of ₹ 100 each	5500.00	5500.00
		<u>22000.00</u>	<u>22000.00</u>
<b>Issued:</b>			
16,15,89,297 (16,15,89,297)	Equity Shares of ₹ 5 each (₹ 10 each) *	<u>8079.46</u>	<u>16158.93</u>
<b>Subscribed &amp; Paid-up:*</b>			
16,11,71,993 (16,11,71,993)	Equity Shares of ₹ 5 each fully paid-up (₹ 10 each)	8058.60	16117.20
	Add: Forfeited Shares (Amount originally paid-up)	8.48	8.48
		<u>8067.08</u>	<u>16125.68</u>
(* Refer Note No. 12 on Schedule 22)			
<b>Note :</b>			
1) Issued and Subscribed & Paid-up Capital includes 15359409 (15359409) Equity Shares issued and allotted as fully paid-up Bonus shares by capitalisation of Capital Redemption Reserve & General Reserve and 53422010 (53422010) Equity Shares issued and allotted as fully paid-up upon conversion of Fully Convertible Debentures.			
<b>SCHEDULE 2 : RESERVES &amp; SURPLUS</b>			
<b>CAPITAL RESERVE</b>			
a)	Net Surplus on Revaluation of Fixed Assets		
	As per last account	782.89	885.16
	Less: Adjustment towards assets sold	10.68	101.20
	Less: Transfer to Depreciation Account	1.09	1.07
		<u>771.12</u>	<u>782.89</u>
b)	Others :		
	As per last account	3.53	3.53
		<u>774.65</u>	<u>786.42</u>
<b>SECURITIES PREMIUM ACCOUNT</b>			
	As per last account	317.28	317.28
	Less : Set off with Profit & Loss Account Debit Balance (Refer Note No. 12 on Schedule 22)	317.28	—
		<u>—</u>	<u>317.28</u>
<b>CENTRAL SUBSIDY</b>			
	As per last account	<u>15.00</u>	<u>15.00</u>
<b>FOREIGN CURRENCY TRANSLATION RESERVE</b>			
	(Refer Note No.1(e) on Schedule 22)	(4.07)	(4.46)
		<u>785.58</u>	<u>1114.24</u>

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES  
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

	₹ in lacs	
	March 31, 2011	March 31, 2010
<b>SCHEDULE 3 : LOANS</b>		
SECURED : (Note No.5 on Schedule 22)		
From Financial Institutions :		
Term Loans	369.03	369.03
From Scheduled Banks :		
Term Loans	1989.63	2389.63
Cash Credits	302.45	301.01
Buyers Credit in foreign currency	1387.63	–
Interest accrued and due	4.10	9.60
	<u>4052.84</u>	<u>3069.27</u>
UNSECURED :		
Sales Tax Deferral Credit	3108.15*	4178.98
SHORT TERM		
From Bodies Corporate	5325.00	1288.33
Security & Other Deposits	320.80	256.00
	<u>8753.95</u>	<u>5723.31</u>
	<u>12806.79</u>	<u>8792.58</u>

\* Includes ₹ 1038.44 lacs (₹ 1070.83 lacs) due for payment within one year.

**SCHEDULE 4 : DEFERRED PAYMENT LIABILITIES**

Voluntary Retirement Schemes	<u>563.05*</u>	<u>837.61</u>
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\* Includes ₹ 216.02 lacs (₹ 318.86 lacs) due for payment within one year.

**SCHEDULE 5 : DEFERRED TAX LIABILITY (NET)**

Balance as per last account	1779.96	0.64
Deferred Tax Charge / (Credit) for the year	(557.37)	1779.32
	<u>1222.59</u>	<u>1779.96</u>

**HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES**  
**SCHEDULE TO THE CONSOLIDATED BALANCE SHEET AS ON MARCH 31, 2011**

**SCHEDULE 6 : FIXED ASSETS**

₹ in lacs

DESCRIPTION OF ASSETS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at March 31, 2010	Additions	Sales / Adjustments	As at March. 31, 2011	Upto March 31, 2010	For the year	Less: On Sales/ Adjustments	Upto March, 31, 2011	As at March. 31, 2011	As at March 31, 2010
TANGIBLE ASSETS										
GOODWILL	0.05	-	-	0.05	0.05	-	-	0.05	-	-
FREEHOLD LAND	702.88	-	8.07	694.81	-	-	-	-	694.81	702.88
LEASEHOLD LAND	35.83	-	5.67	30.16	8.43	0.37	1.46	7.34	22.82	27.40
BUILDINGS	9398.19	11.41	110.15	9299.45 (a)	5045.62	210.42	39.16	5216.88	4082.57	4352.57
MACHINERY & EQUIPMENTS	35590.73	424.15	432.00	35582.88	28010.48	1190.24	402.59	28798.13	6784.75	7580.25
FURNITURE & FITTINGS	683.85	28.60	44.32	668.13	516.31	25.31	31.62	510.00	158.13	167.54
VEHICLES	864.75	143.15	109.08	898.82	302.27	103.51	32.72	373.06	525.76	562.48
	47276.28	607.31	709.29	47174.30	33883.16	1529.85	507.55	34905.46	12268.84	13393.12
INTANGIBLE ASSETS										
SOFTWARE	45.95	51.64	-	97.59	14.28	8.31	-	22.59	75.00	31.67
TECHNICAL KNOW-HOW	715.87	116.60	-	832.47	235.45	140.04	-	375.49	456.98	480.42
	761.82	168.24	-	930.06	249.73	148.35	-	398.08	531.98	512.09
	48038.10	775.55 (b)	709.29	48104.36	34132.89	1678.20	507.55	35303.54	12800.82	13905.21
CAPITAL WORK IN PROGRESS	426.76	136.06	334.11	228.71	-	-	-	-	228.71	426.76
TOTAL	48464.86	911.61	1043.40 (c)	48333.07 (c)	34132.89	1678.20	507.55	35303.54	13029.53	14331.97
PREVIOUS YEAR'S TOTAL	48500.15	830.70	865.99	48464.86	32727.67	1767.73	362.51	34132.89	14331.97	15772.48

- NOTES : (a) Includes ₹ 4.50 Lacs (₹ 4.50 Lacs) being the value of shares in Co-operative Housing Societies.  
(b) Includes Capital Expenditure on Scientific Research ₹ 194.63 Lacs (₹ 0.64 Lacs).  
(c) Includes proportionate cost of a part of Building (on leasehold land) and Other Assets amounting to ₹ 79.57 Lacs (₹ 79.57 Lacs) held in Joint Ownership basis with others at Kolkata.  
(d) Land & Buildings of Uttarpara Unit were revalued during the year ended 31.03.84 and the resulting Surplus thereon, was transferred to Revaluation Reserve.

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES  
SCHEDULE TO THE CONSOLIDATED BALANCE SHEET

			₹ in lacs	
			March 31, 2011	March 31, 2010
<b>SCHEDULE 7 : INVESTMENTS (At Cost)</b>	Number of Shares	Face Value Per Share ₹		
<b>LONG TERM UNQUOTED (OTHER THAN TRADE)(FULLY PAID)</b>				
<b>* GOVERNMENT SECURITIES :</b>				
12 Year National Planning Certificates			0.02	0.02
12 Year National Defence Certificates			0.02	0.02
National Savings Certificates			0.06	0.06
			<u>0.10</u>	<u>0.10</u>
<b>EQUITY SHARES</b>				
Birla Buildings Ltd.	30000 (30000)	10	<u>3.00</u>	<u>3.00</u>
Pithampur Auto Cluster Ltd.	50000 (50000)	10	<u>5.00</u>	<u>5.00</u>
Bengal Shriram Hitech City Private Ltd.	2000 (2000)	10	<u>0.20</u>	<u>0.20</u>
AVTEC Ltd. (a company under the same management) **	10832000 (12250000)	10	6598.87 #	7462.71
Less: Capital Reserve			<u>488.77</u>	<u>552.75</u>
			6110.10	6909.96
Add : Share of post acquisition Profit			<u>3934.14</u>	<u>3250.42</u>
			<u>10044.24</u>	<u>10160.38</u>
			<u>10052.44</u>	<u>10168.58</u>
			<u>10052.54</u>	<u>10168.68</u>

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

\*\* Being an associate of the Company.

# Undertaking given to the Financial Institutions and Banks for non-disposal of the investment.

Note:

In case of investments in Associate, the Goodwill / Capital Reserve arising on the date of acquisition, has been adjusted in cost, in terms of Accounting Standard - 23.

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES  
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

₹ in lacs  
March 31, 2011      March 31, 2010

**SCHEDULE 8 : INVENTORIES**

At lower of cost and net realisable value

Stores & Spares	111.70	138.57
Loose Tools	129.32	139.55
Raw Materials and Components	6204.53	4145.76
Goods under process	1075.95	877.83
Finished Goods	521.81	711.16
Trading Goods	1895.45	1349.36
	<u>9938.76 *</u>	<u>7362.23</u>

\* Includes lying with third parties / in Bond and in transit ₹ 4820.31 lacs (₹ 1731.71 lacs).

**SCHEDULE 9 : SUNDRY DEBTORS**

**Considered good except otherwise stated :**

(a) Debts outstanding for a period exceeding six months :

Secured	5.57	3.99
Unsecured	<u>278.72 *</u>	<u>210.00</u>
	<u>284.29</u>	<u>213.99</u>

(b) Other Debts :

Secured	59.71	34.42
Unsecured	<u>1578.49</u>	<u>1161.07</u>
	<u>1638.20</u>	<u>1195.49</u>

Less: Provision for doubtful debts

	<u>1922.49</u>	<u>1409.48</u>
	<u>203.03</u>	<u>152.11</u>
	<u>1719.46</u>	<u>1257.37</u>

\* Includes considered doubtful ₹ 203.03 lacs (₹ 152.11 lacs).

**SCHEDULE 10 : CASH & BANK BALANCES**

Cash-on-hand	5.81	6.65
Remittances in transit	235.73	262.74
With Scheduled Banks on :		
Fixed Deposit Account	301.10 *	3643.04
Current Account	2597.80 **	298.95
Unpaid Dividend	1.95 ***	1.95
	<u>3142.39</u>	<u>4213.33</u>

\* Includes ₹ 51.21 lacs (₹ 1.15 lacs) deposited as margin money.

\*\* Includes ₹ 2262.98 lacs (₹ Nil) having restrictive use of funds due to Corporate debt restructuring, since released.

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

**SCHEDULE 11 : OTHER CURRENT ASSETS**

**Unsecured :**

**Considered good except otherwise stated :**

Interest accrued on Deposits	5.02	38.13
Export Incentives receivable	8.28	8.27
Insurance & other claims receivable	<u>415.56</u>	<u>415.84</u>
	<u>428.86 *</u>	<u>462.24</u>
Less: Provision for doubtful claims	<u>421.82</u>	<u>421.82</u>
	<u>7.04</u>	<u>40.42</u>

\* Includes considered doubtful ₹ 421.82 lacs (₹ 421.82 lacs).

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES  
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

₹ in lacs  
March 31, 2011      March 31, 2010

**SCHEDULE 12 : LOANS & ADVANCES**

**Unsecured :**

**Considered good except otherwise stated :**

Advances against Capital Contracts	180.41	162.46
Other Advances Recoverable in cash or in kind or for value to be received or pending adjustments	921.92	1082.10
Balance with Customs, Port Trust & Other Government Departments	367.94	346.07
Sales Tax, VAT and other Refunds receivable (including payments made under appeal)	2580.29	2606.65
Advance Payment of Income Tax & Refunds receivable (Net of Provision)	41.92	—
Deposits with Government Departments & Others	327.79	322.27
	<u>4420.27 *</u>	<u>4519.55</u>
Less: Provision for doubtful advances	261.90	298.72
	<u>4158.37</u>	<u>4220.83</u>

\* Includes considered doubtful ₹ 261.90 lacs (₹ 298.72 lacs).

**SCHEDULE 13 : CURRENT LIABILITIES & PROVISIONS**

**A. CURRENT LIABILITIES**

Acceptances	3903.01	5791.87
Sundry Creditors for goods, services, expenses etc.		
Dues to Micro & Small Enterprises (Refer Note No.16 on Schedule 22)	1368.74	1596.75
Dues to Others	13318.09 *	8361.07
Advances against Sales/Orders	1574.17	5197.33
Investor Education and Protection Fund		
Unpaid Dividend	1.95 **	1.95
Other Liabilities	2133.03	1023.01
Interest accrued but not due:		
On Secured Loans	6.81	6.81
On Unsecured Loans	1.74	10.94
	<u>22307.54</u>	<u>21989.73</u>

\* Includes ₹ 2355.52 lacs (₹ 938.94 lacs) due to AVTEC Limited (a company under same management) and ₹ 672.77 lacs book overdraft (₹ 882.63 lacs)

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

**B. PROVISIONS**

Warranties	169.40	250.27
Gratuity	325.05	97.65
Leave Liability	325.78	289.52
Taxation (Net of advance payment, tax at source)	—	1.51
	<u>820.23</u>	<u>638.95</u>
	<u>23127.77</u>	<u>22628.68</u>



HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES  
SCHEDULES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	₹ in lacs	
	2010-2011	2009-2010
<b>SCHEDULE 14 : SALES &amp; SERVICES</b>		
Finished Goods	69211.24	60927.62
Trading Goods		
Vehicles	9354.71	6887.81
Service Parts (including own manufactured)	6529.66	5825.21
Bullet Proofing of Vehicles	429.48	595.82
Others [Tax deducted at source ₹ 11.51 lacs (₹ 11.85 lacs)]	644.36	444.41
	<u>86169.45</u>	<u>74680.87</u>
<b>SCHEDULE 15 : OTHER INCOME</b>		
Dividend on Long Term Investments (Other than Trade)	0.60	20.15
Interest on Debts, Deposits, Advances, Hirers etc.	112.20	130.87
[Tax deducted at source ₹ 10.93 lacs (₹ 12.97 lacs)]		
Insurance & Other Claims	3.75	46.67
Rent & Hire Charges [Tax deducted at source ₹ 3.37 lacs (₹ 0.66 lacs)]	56.04	23.41
Miscellaneous Income [Tax deducted at source ₹ 2.70 lacs (₹ 10.29 lacs)]	216.19	127.96
Unspent Liabilities and Provisions no longer required written back	523.83	320.62
Surplus on sale of Investments	713.52	647.38
Net surplus on Fixed Assets sold/discarded	4391.13	5238.52
	<u>6017.26</u>	<u>6555.58</u>
<b>SCHEDULE 16 : (INCREASE) / DECREASE IN STOCKS</b>		
Closing Stock:		
Goods under Process	1075.95	877.83
Finished Goods	521.81	711.16
Trading Goods	1895.45	1349.36
	<u>3493.21</u>	<u>2938.35</u>
Less: Opening Stock		
Goods under Process	877.83	1301.37
Finished Goods	711.16	471.88
Trading Goods	1349.36	1068.93
	<u>2938.35</u>	<u>2842.18</u>
	<u>(554.86)</u>	<u>(96.17)</u>
<b>SCHEDULE 17 : RAW MATERIALS AND COMPONENTS CONSUMED</b>		
Opening Stock	4145.76	4364.28
Add: Purchases	49842.62	40759.94
	<u>53988.38</u>	<u>45124.22</u>
Less: Transferred to Fixed Assets & other accounts	11.66	6.85
Sales	193.80	39.79
Closing Stock	6204.53	4145.76
	<u>6409.99</u>	<u>4192.40</u>
	<u>47578.39</u>	<u>40931.82</u>
<b>SCHEDULE 18 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
Salaries, Wages & Bonus	6921.80	6074.63
Contribution to Provident, Gratuity & Other Funds	836.21	668.99
Welfare Expenses	428.30	406.60
	<u>8186.31</u>	<u>7150.22</u>

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES  
SCHEDULES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	₹ in lacs	
	2010-2011	2009-2010
<b>SCHEDULE 19 : OTHER EXPENSES</b>		
Rent & Hire Charges	304.13	257.83
Building Repairs	127.34	127.01
Machinery Repairs	220.07	266.20
Insurance	105.12	112.08
Rates & Taxes	149.67	221.46
Royalty	94.49	83.11
Advertisement, Selling Expenses and Claims (Net)	2767.43	2436.26
Delivery Charges, Freight & Transportation	853.12	687.70
Miscellaneous Expenses	3240.29	2763.12
Exchange Rate Difference (Net)	414.41	113.97
Directors' Travelling	23.82	22.94
Auditors' Remuneration:		
Audit fee	22.47	22.42
Tax audit fee	7.50	7.50
Limited review	13.20	13.20
Certification fees	8.65	11.38
Out of pocket expenses	2.48	3.69
Cost Auditor's Remuneration	1.75	3.50
Deferred Revenue expenditure written off	—	1302.80
Provision for Doubtful debts, Claims, Advances etc.	64.60	100.02
Less : Written Back	<u>22.83</u>	<u>54.09</u>
Irrecoverable Debts, Claims & Advances written off	33.20	40.82
Less : Adjusted against Provision	<u>27.67</u>	<u>39.77</u>
	<u>8403.24</u>	<u>8503.15</u>

**SCHEDULE 20 : INTEREST**

On Fixed Loans	553.77	563.60
To Banks & Others	2139.92	517.40
	<u>2693.69</u>	<u>1081.00</u>

**SCHEDULE 21 : DEPRECIATION**

On Fixed Assets	1678.20	1767.73
Less: Transfer from Capital Reserve being additional Depreciation on revalued Fixed Assets	<u>1.09</u>	<u>1.07</u>
	<u>1677.11</u>	<u>1766.66</u>

**SCHEDULE 22 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

**1. 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 :

<b>Name</b>	<b>Country of Incorporation</b>	<b>% of Ownership as on 31.03.2011</b>
Hindustan Motor Finance Corporation Ltd.	India	100.00 (100.00)
HM Export Ltd.	India	99.997 (100.00)
Hindustan Motors Ltd.	Delaware, U.S.A.	100.00 (100.00)

- (e) In terms of Accounting Standard 11 issued by the Institute of Chartered Accountants of India, exchange fluctuations on conversion of the accounts of foreign subsidiary have been taken to "Foreign Currency Translation Reserve" in Schedule 2. The exchange rate considered for translation of financial statements of foreign subsidiary is considered at 1 US \$ = ₹ 44.65.
- (f) The associate company considered in the financial statements is as follows :

<b>Name</b>	<b>Country of Incorporation</b>	<b>% of Ownership as on 31.03.2011</b>
AVTEC Limited	India	43.33* (49.00)

\* including 19.20% through a subsidiary company.

- (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 Profit & Loss Account to the extent such change is attributable to the associate's Profit & Loss Account.
- (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.

**2. ACCOUNTING POLICIES :**

**(I) Basis of Preparation :**

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis, except in case of certain fixed assets for which revaluation is carried out. Except otherwise mentioned, the accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES  
SCHEDULE TO THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

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**(II) 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 period of claim. However, claims and refunds whose recovery cannot be ascertained with reasonable certainty, are accounted for on acceptance basis.
- (c) Interest is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (d) Dividends are recognized when the shareholders' right to receive payment is established by the balance sheet date.

**(III) Fixed Assets :**

- (a) Fixed Assets are stated at cost of acquisition inclusive of duties (net of Cenvat and VAT), taxes, incidental expenses, erection/commissioning expenses and technical know-how fees etc. upto the date the asset is put to 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 capital 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 at the weighted average cost of capital.
- (d) Assets awaiting disposal are valued at lower of written down value and net realisable value and disclosed separately.

**(IV) 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 :**

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.

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**(V) 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.
- (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 / 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 life, 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.

**(VI) 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.

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

**(b) Operating Lease :**

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

**(VII) 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 from the time commercial and technological feasibility criteria are met. Expenditure already charged to Profit and Loss Account is not restated.

**(VIII) Investments :**

- (a) Investments that are readily realizable and intended to be held for not more than a 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.

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES  
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**(IX) Inventories :**

- (a) Inventories are valued at lower of cost, computed on annual weighted / moving average basis, and net realisable value except for HM Export Limited where inventories are valued at lower of cost computed on first in first out basis and net realisable value.
- (b) The closing stock of materials inter-transferred from one unit to another is valued at cost of the transferor unit or net realisable value whichever is lower.
- (c) 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.

**(X) 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.

**(XI) Cash & Cash Equivalents :**

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

**(XII) Derivative Instruments :**

As per ICAI announcement, derivative contracts, other than those covered under AS - 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.

**(XIII) Retirement & other employee Benefits:**

**(a) Defined Contribution plans :**

Company's contributions to Provident Fund and Superannuation Schemes are charged to Profit & Loss Account 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 trusts.

**(b) Defined Benefit plans :**

Gratuity liability and compensated leave liability 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 Account as income or expense.

**(XIV) 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.

**(XV) 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.

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**(XVI) 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 as of 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, 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.

**(XVII) Segment Reporting :**

**(a) Identification of Segments :**

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

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

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

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

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

Provision for product related warranty 'costs' is based on the claims received upto 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.

**(XIX) Contingencies :**

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

**(XX) 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.



HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES  
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**(XXI) 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	
	March 31, 2011	March 31, 2010
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances).	489.18	277.53
4. Contingent Liabilities not provided for in respect of :		
(a) Claims & Government demands against the Company not acknowledged as debts.		
i) Excise Duty	6291.39	5987.69
ii) Sales Tax	802.25	10408.09
iii) Customs Duty	373.50	362.87
iv) Service Tax	958.99	350.46
v) Others	734.60	837.30

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 ₹ 426.19 lacs ( ₹ 2531.80 lacs ).

Included in the above are contingent liabilities to the extent of ₹ 1638.17 lacs ( ₹ 1571.17 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 ₹ 1171.54 lacs ( ₹ 1171.54 lacs ) are covered by counter guarantees by the customers.

In respect of Company's Associate :

Being proportionate share of its Contingent Liability	158.96	339.31
(b) Outstanding Bank Guarantees for import of materials and other accounts.	594.89	613.29
(c) Differential Duty on import of Capital goods under Export Promotion Capital Goods Scheme ₹ 21.80 lacs ( ₹ 18.96 lacs ).		
(d) Bonus for the years 1963-64 to 1967-68 at Hindmotor Unit which is under adjudication (amount indeterminate). The Company contends that no liability exists in this regard under the Payment of Bonus Act, 1965.		
(e) Demands for incremental Dearness Allowance during the years 2001 to 2007 at Hindmotor Unit which are under adjudication (amount not ascertained). However, majority of the employees unions have filed joint petition for withdrawal of the case.		
(f) 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		

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES  
SCHEDULE TO THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

financial position and past track record, which the Lenders have agreed to consider. Pending final decision in the matter, the Company has paid a sum of ₹ 1500 lacs to the Lenders in April 2011, which has been accounted for under Interest expense, in these accounts. In view of the above, no further provision there against is considered necessary by the Management.

5. (a) Term Loans ₹ 1758.66 lacs (₹ 1758.66 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.
- (b) Cash Credit facilities from Banks ₹ 302.45 lacs (₹ 301.05 lacs), and buyers credit ₹ 1387.63 lacs (₹ Nil) 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.
- (c) Short Term Loan ₹ Nil (₹ 1009.56 lacs) from a Bank together with interest thereon, is secured by way of a hypothecation charge over all the movable assets including book debts of the Company.
- (d) Short term loan ₹ 604.10 lacs (₹ Nil) from a Bank together with interest thereon, is secured by way of subservient charge on all the movable fixed assets and the current assets of the Company.
- (e) The Charges referred to in (a), (b) and (c) above rank pari-passu amongst various Financial Institutions and Banks, and (a) & (b) are yet to be additionally secured by way of pledge of 4550000 equity shares of HM Export Ltd., a subsidiary company.

6. (a) The break-up of net deferred tax liability as on 31st March 2011 is as under :

	₹ in lacs	
	2010-2011	2009-2010
(i) <b>Deferred tax liability :</b>		
Timing difference in depreciable assets	3205.22	3482.40
(ii) <b>Deferred tax assets :</b>		
(a) Expenses allowable against taxable income in future years	1552.82	1702.44
(b) Unabsorbed depreciation	429.82	—
	<u>1982.64</u>	<u>1702.44</u>
Net Deferred tax liability (i – ii)	<u>1222.58</u>	<u>1779.96</u>

In terms of accounting policy disclosed vide Note No.1 (XVI) above, Deferred tax assets of ₹ 2879.30 lacs (₹ 3188.82 lacs) arising on account of carried forward unabsorbed business losses relating to holding company have not been recognised in the accounts.

- (b) The break-up of net deferred tax assets of a subsidiary as on 31st March 2011 is as under :

	₹ in lacs	
	2010-2011	2009-2010
Expenses allowable against taxable income in future years	0.37	0.41
Timing difference in depreciable assets	0.70	0.56
	<u>1.07</u>	<u>0.97</u>

7. Derivative contracts outstanding as at year end are as follows :

- (i) In respect of cross currency JPY / USD of JPY 750 lacs (JPY / USD of JPY 6400 lacs).
- (ii) Forward cover of USD / INR of USD 22.25 lacs (USD / INR of USD 66 lacs).

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

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

Sl. No.	Particulars	₹ in lacs	
		As at March 31, 2011	As at March 31, 2010
(i)	Acceptances & Sundry Creditors for expenses	1088.39	12.54
(ii)	Advance against supplies	313.94	226.19
(iii)	Buyers Credit	1387.63	—
8.	Consumption of Raw materials, stores and spare parts includes profit/loss on sale thereof.		
9.	In certain cases, excise duty on items transferred from one division to another for captive use has been accounted for based on actual payments at provisional rates. Additional liability, if any, in this regard will be accounted for on determination of the final rates, but it will have no impact on the Company's profitability, since the same will be claimable as Cenvat benefit by the transferee unit.		
10.	Excise duty on stocks represents differential excise duty on opening and closing inventories.		
11.	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.		
12.	Shareholders of the Company have approved Capital reduction on 16th November 2010 through postal ballot which was duly confirmed by the Hon'ble High Court at Calcutta vide its Order dated 15th December 2010 and Certificate of Registration of the said Order was issued by the Registrar of Companies, West Bengal on 11th January, 2011. Pursuant to this, debit balance in Profit & Loss Account as on 31st March, 2010 has been reduced by ₹ 8375.88 lacs by reducing the paid up value of the Equity Shares from ₹ 10/- each to ₹ 5/- each with effect from 11th January, 2011 resulting in reduction of ₹ 8058.60 lacs in the Subscribed and Paid up Equity Share Capital from ₹ 16117.20 lacs (16,11,71,993 Equity Shares of ₹ 10/- each) to ₹ 8058.60 lacs (16,11,71,993 Equity Shares of ₹ 5/- each) and adjusting the Securities Premium Account to the extent of ₹ 317.28 lacs.		

		₹ in lacs	
		2010-2011	2009-2010
13.	(a) Managing Director's Remuneration : \$		
	Salary, Allowance etc.	136.34	69.55
	Contribution to Provident and other Funds	3.91	9.72
	Others	4.11	5.72
		144.36 *	84.99
	(b) Directors' Fees (including for Directors of subsidiary companies)	8.42	6.72
		152.78	91.71

\$ Excluding gratuity of ₹ 11.42 lacs paid to Mr. R. Santhanam during the year

\* Represents ₹ 20.17 lacs (₹ 84.99 lacs) paid to Mr. R Santhanam, Managing Director (upto 18th May 2010) and ₹ 124.19 lacs (₹ Nil) paid to Mr. Manoj Jha, Managing Director (from 19th May 2010).

Note :

1. In view of carried forward loss under the provisions of Section 349 of the Companies Act, 1956, the detailed computation of profit for the purpose of Managerial Remuneration has not been furnished.
2. As the provision for gratuity and leave encashment is made on an actuarial basis by the Company as a whole the amount pertaining to the Managing Directors are not included above.

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES  
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14. **Earnings per Share (EPS)**

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

	2010-2011	2009-2010
Loss after taxation as per accounts ( ₹ in lacs )	3216.84	4284.53
Weighted average No. of Equity Shares outstanding during the year	161171993	161171993
Nominal value of Shares (₹)	5	10
Basic and Diluted EPS (₹)	(2.00)	(2.66)

15. The movement in Provisions for Warranties during the year is as follows:

(₹ in lacs)

As at March 31st, 2010	Additions	Amount utilised	Amount written back	As at March 31st, 2011
250.27 (219.49)	188.85 (185.77)	259.74 (142.31)	9.98 (12.68)	169.40 (250.27)

A Provision is recognized for expected warranty claims on products based on management's estimate of present obligation in this regard during the warranty period, computed on the basis of past experience of the level of repairs.

16. 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

	2010-2011	2009-2010
(i) Principal amount remaining unpaid to any supplier at the end of accounting year	1066.08	1271.56
(ii) Interest due on above	63.22	33.72
<b>Total of (i) &amp; (ii)</b>	<b>1129.30</b>	<b>1305.28</b>
(iii) Amount of interest paid/adjusted by the Company to the suppliers	175.44	118.47
(iv) Amounts paid to the suppliers beyond the respective due date	1689.75	2480.18
(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 year	302.66	325.19
(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.	—	—

17. Disclosure under Accounting Standard– 15 ( Revised ) on 'Employee Benefits'

₹ in lacs

A. <b>Defined Contribution Plan</b>	2010-2011	2009-2010
Contribution to Provident Fund	492.81	438.66
Contribution to Superannuation Fund	39.34	42.58
<b>B. <b>Defined Benefit Plan</b></b>		

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,

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES  
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1972. The aforesaid scheme is funded with an Insurance Company. The following tables summarise the components of net benefit expenses recognised in profit & loss account and the funded status and amount recognised in the balance sheet for the respective plan.

		₹ in lacs	
Sl. No.	Particulars	2010-2011	2009-2010
	<b><u>Gratuity</u></b>		
<b>I</b>	<b><u>Net Employee Expense / (Benefit)</u></b>		
1	Current Service Cost	116.51	106.22
2	Interest cost on benefit obligation	139.59	125.12
3	Expected Return on plan assets	(153.25)	(93.43)
4	Net Actuarial gain/(loss) recognised in the year	(173.98)	(32.28)
5	Total employee expenses recognised in Profit & Loss Account	276.83	170.19
<b>II</b>	<b>Actual return on plan assets</b>	156.79	117.65
<b>III</b>	<b><u>Benefit Asset/(Liability)</u></b>		
1	Defined benefit obligation	2119.19	1801.01
2	Fair Value of Plan Assets	1794.48	1703.36
3	Benefit Asset/(Liability)	(324.71)	(97.65)
<b>IV</b>	<b><u>Movement in benefit liability</u></b>		
1	Opening defined benefit obligation	1801.01	1615.41
2	Interest cost	139.59	125.13
3	Current Service Cost	116.51	106.22
4	Benefits paid	(115.45)	(102.25)
5	Actuarial ( gains ) / losses on obligation	177.53	56.50
6	Closing benefit obligation	2119.19	1801.01
<b>V</b>	<b><u>Movement in fair value of plan assets</u></b>		
1	Opening fair value of plan assets	1703.37	1167.03
2	Return on plan assets (actual)	156.79	117.65
3	Contribution by employer	49.77	520.93
4	Benefits paid	(115.45)	(102.25)
5	Closing fair value of plan assets	1794.48	1703.36
<b>VI</b>	<b><u>The Principal actuarial assumptions are as follows</u></b>		
1	Discount Rate	8.00%	7.50%
2	Salary increase	4.00%	4.00%
3	Withdrawal Rate	Varying between 2% & 1% per annum depending upon duration and age of the employees.	
4	Expected rate of return on Plan assets	9.00%	8.00%
<b>VII</b>	<b><u>The major categories of Plan Assets as a percentage of fair value of the total plan assets.</u></b>		
	Investment with Insurer	100%	100%

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES  
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**VIII Amounts for the current and previous years are as follows :**

₹ in lacs

	2010-11	2009-10	2008-09	2007-08	2006-07
1 Defined benefit obligation	2119.19	1801.01	1615.41	2842.84	2317.98
2 Plan Assets	1794.48	1703.36	1167.03	1261.80	1086.88
3 Surplus / (Deficit)	(324.71)	(97.65)	(448.38)	(1581.04)	(1231.10)

**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 ₹ 120.00 lacs (₹ 120.00 lacs) to the Gratuity fund in 2011-2012.
  - c) Experience adjustment on plan assets & liabilities has been considered in the valuation report as certified by the actuary.
18. In respect of non-cancellable operating leases taken by the Company, the significant leasing agreements relating to certain premises are renewable on expiry of mutually acceptable terms. Such lease payments of ₹ 72.97 lacs (₹ 129.69 lacs) are recognized in the Profit & Loss Account as rent and the particulars of future lease payment are as follows :

₹ in lacs

Future Rental Payments	2010-2011	2009-2010
Upto 1 year	37.36	52.70
Later than 1 year & not later than 5 years	55.90	—
More than 5 years	—	—

**19. Related Party Disclosures : -**

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

Associate Company

Key Management Personnel

AVTEC Limited

Mr. R. Santhanam, Managing Director  
(Upto 18th May, 2010)

Mr. Manoj Jha, Managing Director  
(From 19th May, 2010)

HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES  
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- (b) Aggregated Related Party Disclosures as at and for the year ended March 31, 2011 are as follows.  
(Transactions have taken place on arm's length basis) \*

	₹ in lacs
	<b>Associate Company</b>
	<b>AVTEC Ltd</b>
Sales	434.97 (443.82)
Purchases	4455.33 (5761.67)
Interest expense	— (6.90)
Delivery Charges, Freight & Transportation	— (4.35)
Misc. Expenses	13.63 (13.60)
Rent & Hire charges paid	11.82 (11.82)
Selling Expenses, Advertisement, Claims	-23.12 (-19.74)
Interest Income	— (4.45)
<b>Balance Outstanding at year end</b>	
Creditors & Other Payables	2355.52 (938.94)
Investment	3402.52 (6909.96)

\*Excludes ₹ 144.36 lacs (₹ 84.99 lacs) being remuneration to the Managing Director as disclosed vide Note No. 13 (a) above.

20. **Details of Research costs (₹ in lacs) :-**

	Capital Expenditure		Revenue Expenditure	
	2010-2011	2009-2010	2010-2011	2009-2010
HINDMOTOR UNIT *	132.40	0.64	345.02	195.23
CHENNAI CAR PLANT (CCP)	55.00	-	130.63	108.86
PITHAMPUR UNIT (RTV)	7.23	-	3.63	6.46
	194.63	0.64	479.28	310.55

\* Approved Centre

21. As the Company's business activity falls within a single primary business segment. Viz; 'Automobiles' in India, the disclosure requirement of Accounting Standard-17 "Segment Reporting" as notified by Companies (Accounting Standards) Rules, 2006 (as amended) are not applicable.
22. 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 8th February, 2011 following information has been given for the subsidiary companies.



HINDUSTAN MOTORS LIMITED AND ITS SUBSIDIARIES  
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- a) Hindustan Motor Finance Corporation Ltd. (HMFC)  
b) HM Export Limited (HME)  
c) Hindustan Motors Limited, USA (HML, USA)

₹ in lacs

Particulars	HMFC	HME	HML USA	Total
Capital	25.00 (25.00)	460.00 (5.00)	158.64 (158.64)	643.64 (188.64)
Reserves	234.02 (138.88)	6572.96 (191.63)	– (–)	6806.98 (330.51)
Total assets	259.08 (163.95)	7032.96 (196.63)	253.56 (254.60)	7545.60 (615.18)
Total liabilities	259.08 (163.95)	7032.96 (196.63)	253.56 (254.60)	7545.60 (615.18)
Investments *	– (–)	6768.00 (–)	– (–)	6768.00 (–)
Turnover incl. other income	6647.06 (4957.22)	77.80 (25.69)	– (–)	6724.86 (4982.91)
Profit before Taxation	143.39 (103.92)	27.08 (20.53)	– (–)	170.47 (124.45)
Provision for Taxation	48.25 (33.35)	15.76 (6.51)	– (–)	64.01 (39.86)
Profit after Taxation	95.14 (70.57)	11.33 (14.24)	– (–)	106.47 (84.81)

\* HME has investment in 4800000 lacs equity shares of ₹ 10 each of AVTEC Limited (An associate company)

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

Signatures to Schedules 1 to 22

As per our report of even date.

**S.R. Batliboi & Co.**  
Registration Number - 301003E  
Chartered Accountants  
Per **Raj Agrawal**  
a Partner  
Membership No.: 82028  
Place: New Delhi  
May 16, 2011

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

**C. K. Birla**  
Chairman

**Yogesh Goenka**  
Chief Financial Officer and  
Company Secretary

**Manoj Jha**  
Managing Director

## NOTES

[illegible]

## ATTENDANCE SLIP

# HINDUSTAN MOTORS LIMITED

Regd. Office : "Birla Building" 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 **69th Annual General Meeting** of the Company held on Thursday, the 4th August, 2011 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" 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 **69th Annual General Meeting** of the  
Company to be held on Thursday, the 4th August, 2011 at 2.30 p.m. and/or at any adjournment thereof.

Signed this ..... day of ....., 2011

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.

# Book Post

*if undelivered please return to :*



Hindustan  
Motors  
Limited

"Birla Building"

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