

HMT WATCHES LIMITED

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BOARD OF DIRECTORS

Shri S. Girish Kumar	Chairman
Mohd Zakir Hussain	Director
Shri Ramakant Singh	Director (from 13-11-2018)
Shri V. P. Singh	Director (upto 12-11-2018)

STATUTORY AUDITORS**For Gowthama & Co.**

Chartered Accountants
Bangalore

REGISTERED OFFICE

“HMT Bhavan”
59, Bellary Road
Bangalore - 560 032

PERFORMANCE HIGHLIGHTS

(₹ in Lakhs)

	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
OPERATING STATISTICS										
Sales	0	424	729	490	844	812	1106	1024	882	1054
Other Income *	125	165	414	179	172	248	180	975	790	1087
Materials	0	424	0	12	285	516	200	353	253	434
Employee Costs	783	909	1210	4798	5749	5089	5884	7406	12503	5599
Other Costs	2169	392	3201	802	1275	771	1572	873	1379	1539
Depreciation	0	0	0	49	53	43	54	83	92	109
Earnings before Interest	-2827	-1136	-3268	-4992	-6346	-5359	-6424	-6716	-12576	-5774
Interest	22	87	174	1732	19574	17948	17823	15688	12798	11061
Earnings/(Loss) before Tax	-2849	-1223	-3442	-6724	-25920	-23307	-24247	-22404	-25374	-16835
Taxation	3335	0	0	0	0	0	-	-	-	-
Net Earnings	-6184	-1223	-3442	-6724	-25920	-23307	-24247	-22404	-25374	-16835
Exceptional items	18312	373	-16914	-8832						
OCI	0	-518	2936	2140						
TOTAL INCOME	12128	-1368	-17420	-13416						

FINANCIAL POSITION

Net Fixed Assets	5	5	5	5	722	842	886	939	1021	1135
Current Assets	6514	5004	7716	29548	6453	4575	5385	5278	5284	5772
Current Liabilities & Provisions	275218	284971	287180	291592	21523	18496	18692	18788	25338	22875
Working Capital	-268704	-279967	-279464	-262044	-15070	-13921	-13307	-13510	-20054	-17103
Capital Employed	-268699	-279962	-279459	-262039	-14348	-13079	-12421	-12571	-19033	-15968
Investments	-	-	-	-	-	-	-	-	-	-
Miscellaneous Expenditure	-	-	-	-	-	-	-	-	-	-
Borrowings	0	0	0	0	236437	211718	188884	158915	135581	113273
Net Worth	-268698	-280827	-279459	-262039	-250561	-224573	-201266	-177000	-154614	-129240

OTHER STATISTICS

Capital Expenditure	0	0	0	0	0	0	0	0	0	0
Internal Resources Generated	-6184	-1223	-3442	-6675	-25867	-23264	-24193	-22321	-25282	-16726
Working Capital Turnover Ratio	0.00	0.00	0.00	0.00	-0.06	-0.06	-0.08	-0.08	-0.04	-0.06
Current Ratio	0.02	0.02	0.03	0.10	0.30	0.25	0.29	0.28	0.21	0.25
Return on Capital(%)	-1.03	-0.41	-1.21	-3.61	-46.28	-42.03	-51.41	-42.50	-71.86	-39.02
Employees (Nos)	0	145	146	640	1005	1055	1105	1219	1417	1976
Per Capita Sales	0.00	0.66	1.14	0.77	0.84	0.77	1.00	0.84	0.62	0.53

* Includes Extra Ordinary Items

DIRECTORS' REPORT

To
The Members,
HMT Watches Limited, Bangalore.

The Board of Directors have pleasure in presenting the 20th Annual Report on the business and operations of your Company and Annual Financial Statements of the Company for the Financial Year 2018-19 along with Auditors' Report thereon. The Comments of the Comptroller & Auditor General of India are attached to this Report.

FINANCIAL SUMMARY / PERFORMANCE OF THE COMPANY

Your Company achieved a Gross Sales of Rs. NIL Crores (previous year Rs. NIL Crore). During the year under review in terms of production, your Company achieved Rs. NIL Crores (previous year Rs. NIL Crore).

The Company incurred a Net Profit of Rs. 121.69 Crore during the year due to long term capital gain on account of sale of land at Tumkur. The financial highlights are as follows:

(₹ in Crore)

Particulars	FY 2018-19	FY 2017-18
Gross Profit (Loss)	121.69	(13.67)
Interest	0.00	0.00
Net Profit (Loss)	121.69	(13.67)
Cumulative Profit (Loss)	(2693.06)	(2814.75)

There is no operating sale or income as the Company is under closure.

DIVIDEND

In view of accumulated losses, your Directors are not in a position to recommend any Dividend for the year 2018-19. Your Directors have considered and drawn up the accounts for the year ended March 31, 2019, on a going concern basis in spite of the negative Net Worth as on that date.

SHARE CAPITAL

The Authorised Share Capital of the Company is Rs.7,00,00,000/- divided into 70,00,000 Equity Shares of Rs. 10/- each. Issued, Subscribed and Paid-up Share Capital of your Company stood at Rs. 6,49,01,000/- divided into 64,90,100 Equity Shares of Rs.10/- each fully paid-up. All shares are held by HMT Limited, the Holding Company.

NET WORTH

The Net worth of the Company as at March 31, 2019 is Rs.(2686.98) Crore.

FIXED DEPOSITS

The Company did not accept any fixed deposits during the year, and as such there was no outstanding Fixed Deposits at the beginning/end of the year.

PRESENT STATUS

DHI informed vide letter dated 13th January 2016 conveyed the approval of CCEA for Closure of HMT Watches Limited and to relieve all the employees of the Company on VRS package and by retrenchment under Industrial Dispute Act 1947 to those not opting for VRS. The Company announced VRS vide Office order dated 20-01-2016. The company relieved 813 employees and retrenched 2 employees, three employees not opted VRS and expired, remaining 143 employees are not opted for VRS out of 961 employees. Ministry of Labour ("MoL") during November 2016, granted permission for closure of Ranibagh Unit. However, 146 (three employee expired) employees have moved to Court and brought stay on the order of MoL. The Hon'ble High court of Uttarakhand vacated the stay on the effect and operation on above order, vide its interim order dated 18-3-2019. The Company retrenched all the 143 employees on 23-3-2019 with effect from 17-11-2016.

The Company is in the process of selling the movable assets. All movable assets at WF Bangalore, WF Tumkur and Watch marketing are sold. However, WF Ranibagh is in the process of selling of movable assets as the stay order from High Court, Nainital is vacated.

The Company is in the process of selling the Immovable assets. The Company is awaiting clearance for Government of Karnataka for the transfer of land at Bangalore to ISRO.

SALE OF LAND AT TUMKUR TO ISRO: In line with approval of Union Cabinet dated 31.03.2017 for transfer of 119.65 acres of land, 109.823 acres of land of the Company at Tumkur has been transferred to M/s ISRO on 27.6.2018 by way of registration of sale deed in favour of ISRO. After resolving the dispute issue with Ancillary Units the balance land of 6.952 acres will be handed over to ISRO. Out of sale proceeds of Rs168.65 Crore, the Company has transferred Rs. 128.92 Crore to Department of Heavy Industry.

PARTICULARS OF EMPLOYEES

There are no employees in the Company as on March 31, 2019

There were no employees of the Company who received remuneration in excess of the limits prescribed under Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

BOARD MEETINGS

During the year four Board Meetings were convened and held, the details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

AUDITORS

M/s Gowthama & Company, Chartered Accountants, Bangalore was appointed by the C&AG as Statutory Auditors of the Company for the financial year 2018-19.

Replies to the observations by the Auditors in their Report are given by way of an Addendum to this Report. The replies to the Comments by the Comptroller and Auditor General of India on the Accounts are given separately.

AUDITORS' REPORT

The Statutory Auditors have submitted Independent Auditor's Report along with Addendum to Independent Auditor's Report for the year 2018-19. Comments by the Comptroller & Auditor General of India on the accounts for the year are given separately.

VIGILANCE ACTIVITIES

The vigilance awareness are functioning and keeping watch on the overall vigilance activities of the Company.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has in place adequate systems of Internal control commensurate with its size and nature of its operations. The salient features of internal control systems are:

- Clear delegation of power with authority limits for incurring capital and revenue expenditure.
- Well laid down corporate policies for accounting, reporting and Corporate Governance.
- Safeguarding assets against unauthorized use or losses or disposition, and ensuring that the

transactions are authorized, recorded and reported correctly.

- Process for formulating and reviewing annual and long term business plans have been laid down.
- Detailed Annual budget giving further break up of monthly targets under various heads.
- Continuous review of the performance by the Core Committee with reference to the budgets on an ongoing basis.
- Compliance with laws and regulations.

Implementation of Official Language

Since the Company is under closure & no employees as on 31.03.2019, the implementation of the Official Language is not applicable to the Company.

Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- that in the preparation of the annual financial statements for the year ended 31.03.2019, the applicable accounting standards has been followed along with proper explanation relating to material departures;
- that such accounting policies have been selected and applied consistently and judgments and estimates have been made 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 statement of profit and loss of the Company for the year ended on that date;
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the annual financial statements have been prepared on a going concern basis;
- that proper internal financial controls were in place and are adequate and were operating effectively;

- that proper systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively;
- Since the overall performance of the Company is evaluated against the annual MoU targets set by the Department of Public Enterprises (DPE), no specific criteria is laid down for the evaluation of Board and of its Committees and the individual Directors. Since your Company being a Central Public Sector Enterprise (CPSE), the personnel policies and guidelines issued by DPE are being adopted in line with other CPSEs. Accordingly, your Company has not formulated any separate policy in respect of appointment or evaluation of senior management and key managerial personnel.

MATERIAL CHANGES AND COMMITMENTS

There are no material changes and commitments affecting the financial position of the Company which have occurred between the financial year ended 31.03.2019 and the date of this report.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Shri S. Girish Kumar, Chairman & Managing Director of HMT Ltd. continued as Chairman of the Company and also entrusted with additional charge of the post of Managing Director w.e.f. 01-11-2017.

Mohd Zakir Hussain continues to be Director of the Company w.e.f. 23-02-2018.

Shri Rama Kant Singh was appointed as Director of the Company with effect from 13-11-2018 in place of Shri. V.P. Singh, Director.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A. CONSERVATION OF ENERGY

Your Company continues to give high priority to the conservation of energy on an ongoing basis. However, since the Company is under closure & no operations, this is not applicable.

B. TECHNOLOGY ABSORPTION

The Company is under closure hence not applicable.

C. Foreign Exchange Earnings and outgo

There was no foreign exchange outgo towards business expenses during the year under review. There are also no foreign exchange earnings during the year.

EXTRACT OF ANNUAL RETURN

In terms of Section 92(3) of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return in the prescribed form are placed as Annexure MGT-9 to this Report.

OTHERS

A report on the Corporate Governance is annexed as part of this Report.

During the Financial year 2018-19, the Company has not received any complaints of Sexual Harassment.

The details of related party transactions are given in the notes to the Financial Statements.

The details of loans, guarantees or investments under section 186 are given in the notes to the Financial Statements.

Since the Company is under closure, the provisions relating to Corporate Social Responsibility are not applicable to the Company

The Company does not have any Subsidiary, Joint Venture or Associate Company.

ACKNOWLEDGEMENTS

The Directors are thankful to HMT Limited, the Holding Company, the various Departments and Ministries in the Government of India, particularly the Department of Heavy Industry, Ministry of Corporate Affairs, Comptroller & Auditor General of India, Principal Director-Commercial Audit, Statutory and Branch Auditors, Director General Supplies & Disposals, Director General, Ordnance Factories, various State Governments, Suppliers and Dealers, and valued customers of the Company both in India and abroad for their continued co-operation and patronage.

For and on behalf of the Board of Directors,

Chairman

Place : Bangalore

CORPORATE GOVERNANCE

In compliance with the Guidelines on Corporate Governance for Central Public Sector Enterprises framed by the Department of Public Enterprises, GOI as applicable to Government Companies and as per the applicable provisions of the Section 133 of the Act read with Rule 3 of the companies (Indian accounting standards) Rules, 2015 and companies (Indian accounting standards) Amendment Rules, 2016.

Your Company hereby submits the report on Corporate Governance. The Company is committed to maintain the highest standards of Corporate Governance and initiated appropriate action for compliance of the Guidelines on Corporate Governance

Board of Directors

As on March 31, 2019, the Board of Directors comprised of Chairman & Managing Director and two (2) Part-time Official Directors. Currently, the position of part-time Non Official (Independent) Directors are vacant.

The day-to-day Management of the Company is conducted by the Managing Director and under the supervision and control of the Board of Directors.

During the year 2018-19, four Board Meetings were held on 4th June 2018, 27th September 2018, 18th January 2019 and 20th March, 2019.

The compositions of Directors and their attendance at the Board Meetings and at other Meetings during the year are:

Name	Category	Attendance particulars		No. of other Directorships and Committee Member /Chairmanship held		
		Board Meetings	General Meeting	Director ship	Committee	
					Membership	Chairmanship
S. Girish Kumar	Chairman	4	Yes	7	1	
Mohd. Zakir Hussain	NENI	4	-	3	-	-
Rama Kant Singh	NENI	2	-	1	-	
V P Singh	NENI	2	-	3	-	-

C: Chairman, MD: Managing Director, ENI: Executive & Non Independent, NENI: Non Executive & Non Independent, NEI: Non Executive & Independent, NA: Not Applicable

Remuneration of Directors

An amount of Rs.1,500/- is payable only to independent Directors for attending each meetings of the Board and Committees.

General Body Meetings

The last three Annual General Meetings of the Company were held as under:

Financial year	Date	Time	Venue
2015-16	28.9.2016	10.30 A M	HMT Bhavan, Bangalore
2016-17	7.10.2017	11.00 A M	— DO —
2017-18	11.9.2018	11.00 A M	— DO —

Annual General Meeting for the current year is scheduled before September 30, 2019 at HMT Bhavan No.59, Bellary Road, Bangalore-560 032.

Disclosures

There were no transactions of material nature with its Promoters, the Directors or the Management or their relatives which may have the potential conflict with the interest of the Company at large.

There were no other instances of non-compliance by the Company, penalties, strictures imposed on the Company by statutory authority, or any matter related to any guidelines issued by Government, during the last three years.

Means of Communication

Being a wholly owned Subsidiary of HMT Limited, Company submits financial results periodically to M/s. HMT Limited, the Holding Company. Annual results are also updated on the Company's website www.hmtindia.com.

Form No. MGT-9
EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31.03.2019

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

- i. CIN : U33301KA1999LC025573
- ii. Registration Date : August 09, 1999
- iii. Name of the Company : HMT Watches Limited
HMT Bhavan, 59, Bellary Road, Bangalore – 560 032
- iv. Category/Sub-Category of the Company : Company Limited by Shares /Union Government Company
- v. Address of the registered office and contact details : HMT Bhavan, 59, Bellary Road,
Bangalore – 560 032
Ph.: 91- 80-23330333
- vi. Whether listed company : No
- vii. Name, Address and Contact details of Registrar and Transfer Agent, if any : - NA -

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main Products/ Services	NIC Code of the Product/ service	% total turnover of the company
1	Watches	33301	-

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding Subsidiary Joint Venture	% of shares held associate
1	HMT Limited	L29230KA1953GOI000748	Holding	100

IV. SHAREHOLDING PATTERN (Equity Share Capital Break up as percentage of Total Equity)
i) Category-wise Share Holding

Category Code	Category of Shareholders	NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR				NO. OF SHARES HELD AT THE END OF THE YEAR				% Change during
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)	(XI)
(A)	PROMOTER AND PROMOTER GROUP									
(1)	INDIAN									
(a)	Individual /HUF									
(b)	Central Government/State Government(s)									
(c)	Bodies Corporate									
(d)	Financial Institutions / Banks									
(e)	Government Companies	0	6490100	6490100	100	0	6490100	6490100	100	0
	Sub-Total A(1) :	0	6490100	6490100	100	0	6490100	6490100	100	0
(2)	FOREIGN	NIL								
	Sub-Total A(2) :	-	-	-	-	-	-	-	-	-
	Total A=A(1)+A(2)	0	6490100	6490100	100	0	6490100	6490100	100	0
(B)	PUBLIC SHAREHOLDING	NIL								
	Sub-Total B(1) :	-	-	-	-	-	-	-	-	-
(2)	NON-INSTITUTIONS	Nil								
	Sub-Total B(2) :	-	-	-	-	-	-	-	-	-
	Total B=B(1)+B(2) :	-	-	-	-	-	-	-	-	-
	Total (A+B) :									
(C)	Shares held by custodians, against which	NIL								
(1)	Depository Receipts have been issued Promoter and Promoter Group									
(2)	Public									
	GRAND TOTAL (A+B+C) :	0	6490100	6490100	100	0	6490100	6490100	100	0

ii) Shareholding of Promoters

No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1.	HMT Limited	6490100	100	NIL	6490100	100	NIL	0.00

iii) Change in Promoters' Shareholding (please specify, if there is no change) – NO CHANGE

Sr. No		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	6490100	100	6490100	100
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	0	0	0	0
	At the End of the year	6490100	100	6490100	100

iv) Shareholding Pattern of top ten Shareholders (other than Directors, promoters and Holders of GDRs and ADRs): NA

For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Shareholding at the beginning of the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
Not Applicable				

v) Shareholding of Directors and Key Managerial Personnel:

For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
At the beginning of the year	-NIL-	-NA-	-NIL-	-NA-
Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	-NA-		No change	
At the End of the year	-NIL-	-NA-	-NIL-	-NA-

None of the Directors or Key Managerial Personnel is holding any shares in the company.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment
(Rs. in Lakhs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<i>Indebtedness at the beginning of the financial year as on 01.04.2018</i>				
i) Principal Amount	-	266939.75	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	266939.75	-	-
Change in Indebtedness during the financial year				
- Addition	-	-	-	-
- Reduction	-	-	-	-
Net Change	-	-	-	-
<i>Indebtedness at the end of the financial year 31.03.2019</i>				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	266939.75	-	-

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL
A. Remuneration to Whole-time Director:

S.No.	Particulars of Remuneration	Name of MD/WTD/ Manager
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	- - -
2	Stock Option	-
3	Sweat Equity	-
4	Commission - as % of profit - others, (W.A, EL & P. Bonus)	-
5	Provident Fund	-
6	Gratuity	-
7	Medical Benefits	-
	Total (A)	-
	Ceiling as per the Act	-

B. Remuneration to other Directors:
Independent Directors :

<i>Particulars of Remuneration</i>	<i>Name of MD/WTD</i>	<i>Total Amount</i>
- Fees for attending board/committee meetings		-
- Commission	-	-
- Others, please specify	-	-
Total (1)	-	-
Other Non-Executive Directors		
<i>Particulars of Remuneration</i>	-	-
Total (2)	-	-
Total (B)=(1+2)	-	-
Total Managerial Remuneration	-	-
Overall Ceiling as per the Act		

A. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel
1.	Gross salary(a)Salary as per provisions contained in section 17(1) of the Income-tax Act,1961 (b)Value of perquisites u/s17(2) Income-tax Act,1961 (c)Profits in lieu of salary under section 17(3)Income-tax Act, 1961	-
2.	Stock Option	-
3.	Sweat Equity	-
4.	Commission- as % of profit-others, (W.A, EL & P. Bonus)	-
5.	Provident Fund	-
6.	Gratuity	-
	TOTAL	-

VII: PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES: NIL

Type	Section of the Companies	Brief Act Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty			None		
Punishment			None		
Compounding			None		
B. DIRECTORS					
Penalty			None		
Punishment			None		
Compounding			None		
C. OTHER OFFICERS IN DEFAULT					
Penalty			None		
Punishment			None		
Compounding			None		

INDEPENDENT AUDITORS' REPORT

To the members of HMT Watches Limited, Bangalore

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the accompanying financial statements of HMT Watches Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of matters described in the Basis for Qualified Opinion paragraph below and based on our audit and in view of non-compliance to various accounting standards, inadequacies in internal control system, absence of confirmation and reconciliation of balances in parties accounts, confirmation and other issues as discussed in the below paras, combined with non-availability of data to assess their impact on the financial statements and undetected misstatement, if any, contained therein, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Qualified Opinion

a) Going Concern Concept:

- i) The Board of Directors in its 72nd board meeting held as on 18.01.2016 has decided to close down the company after getting the approval from cabinet committee of Economic Affairs.
- ii) The accumulated losses of the company as at the close of 31st March 2019 amounted to Rs.2,69,347.48 lakhs against which the paid up capital of the company is Rs.649.01lakhs and the losses has totally eroded the net worth of the company.
- iii) The company has been incurring continues losses for the past many years.
- iv) The total liabilities of the company as at the close of 31st March 2019 is Rs. 2,75,217.41 lakhs (Previous year Rs.2,85,835.95/-lakhs) against which the Fixed and current assets book values are only Rs. 6,518.94 lakhs (Previous year Rs.5,009.37 lakhs).
- v) The contingent liabilities disclosed in the financial statements are Rs. 586.66 lakhs (Previous year Rs. 1,916.18/-lakhs) and there are other liabilities, which have not been quantified. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.
- vi) Consequent to the decision of closing down the Company, the Company has sold all the fixed assets other than the immovable properties in Bangalore and Ranibagh and fixed assets of Ranibagh Unit. In respect of immovable property other than Ranibagh Unit, the Company is in the process of transferring the assets.

b) The Company has not complied the disclosure for the following as per IND AS:-

- i. IND AS 8: - The Company has not done the retrospective adjustment of prior period errors and omissions by restating the comparative amounts for prior period presented or, where the errors relates to the period(s) before the earliest prior period presented, restating the opening balance of assets, liabilities and equity for that period.
- ii. IND AS 36:- The Company has not identified, measured, quantified and disclosed the impairment of assets and its impact on the current financial statements.
- iii. IND AS 109:- The Company has not recognized the interest free refundable security deposit at discounted value.
- iv. Fair Value of recognition of financial assets and liabilities.
- v. Deferred Tax Liability.

c) The details for fixed assets with written down value of Rs 1 lakh and above which have been retired from active use and disclosed at book value were not made available in respect of watch factory Ranibagh.

d) Valuation of inventories not being in accordance with the IND AS 2 -Valuation of Inventories due to:

- During the year under review the Company had not conducted physical verification of raw materials, work in progress and finished goods in respect of the Ranibagh Unit.
- In watch factory Ranibagh the work in progress is valued at cost instead of cost or NRV whichever is less.
- Individual details of slow/non moving goods and obsolete inventories in respect of Watch Factory

Ranibagh were not made available to us. This is contrary to the Accounting policy of the Company. Accordingly, we are unable to comment on adequacy of such provisions made in the accounts.

- No provision for additional duty redemption fine and penalty of Rs.150.00 lakhs was made in the accounts relating to watch components valued at Rs. 343.30 lakhs taken into custody by the Customs authorities in the earlier years in Watch Factory, Ranibagh.

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

e) Balances with banks in current account with scheduled banks relating to few of the show rooms amounting to Rs. 31.38 Lakhs and cash on hand amounting to Rs. 1.29 lakhs relating to Watch Marketing Division has been written as prior period expenses as the amounts received from respective show room was accounted as other income in the previous year. We have not been provided the full details of amount received from show rooms in the earlier years corresponding to the cash balance shown in the books. In view of this we are unable to express our opinion on the correctness of these transactions.

f) The company has not made provision for liability towards the interest payable under micro- small and medium enterprises development act 2006, if any, in the accounts. The impact of non provision for such interest on the financial results of the company if not ascertainable. In the absence of confirmation from vendors and non availability of adequate information

with the units, provision made towards interest and the principal amount disclosed as dues as on balance sheet date, we are unable to comment on the adequacy of provision and the impact on the financial statements.

- g) Note No. 2.2(a) – regarding The Company is in possession of lease hold land measuring 33.32 acres at Ranibagh. The lease period is expired in the year 2014. The company is still continuing to show the leasehold assets under Fixed assets and claimed depreciation. This results in overstatement of fixed assets by Rs. 5.14 lakhs and reduction in losses by the same amount.
- h) Certain internal control deficiencies were observed during the course of audit of financial statements. The management does not establish adequate internal controls to ensure that transactions were properly classified, accounted, reviewed and reconciled. The units of the company did not follow the established internal controls such as performing account reconciliations, obtaining periodical conformation of balances and periodical verification of fixed assets, payment vouchers duly supported by sanctions and providing management an oversight of the financial management accounting processes.
- i) GST liability under reverse charge mechanism has neither been ascertained nor provided for in the accounts. Impact of the same on the Net Loss of the Company is not ascertainable.
- j) No provision towards gratuity amounting to Rs. 28 Lakhs during training period has been made in the financial statements as ordered by ALC on the applications filed by 125 separated employees and orders of Hon'ble High Court of Karnataka to deposit Rs. 28 Lakhs, which is contrary to IND AS 37 – Provisions, Contingent Liabilities and Contingent

Assets, resulting in understatement of loss and current liabilities and provisions to that extent. Impact on financial statements is not ascertainable.

- k) As stated in note no. 2.26, no provision is made for liabilities aggregating Rs. 213.89 lakhs in respect of employee related claims relating to lockouts, back wages, incentives, annual bonus etc. This has resulted in understatement of net loss by Rs. 213.89 lakhs and corresponding understatement of current liabilities to that extent.
- l) In pursuant to distress warrant dated 23-12-2011 issued by Bangalore Mahanagara Palike for recovery of Rs. 381.31 lakhs of property tax along with penalty for the period from 01-10-1995 to 2011-12, a total provision of Rs. 665.19 lakhs has not been made towards such taxes and penalties as at the 31st March 2019.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters

were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How our audit addressed the key audit matter
<p>1. <u>Going concern assumption:</u> Consequent to the decision of closing down the Company, the operations of the company was stopped in the year 2016.</p>	<p>We have analysed the management's report to gain an understanding of the current situation and the status of closure process of the company.</p> <p>For notes on the going concern assumption and financing requirements, see the going concern on page 1.</p>
<p>2. <u>Valuation Of Inventory:</u> Inventory held in ranibagh unit amounting to Rs. 1197.55 lakhs were not physically verified and valued during the year. However, the company has provided additional provision during the year to cover any diminution in value of inventory.</p>	<p>We have sought the full details of inventory at Ranibagh including quantitative details to analyse the non-moving inventory. Since the management do not have details of quantitative details and basis for provisioning, we are unable to comment on the appropriateness of the presentation of inventory in the financial statement. The same has been reported in this report separately.</p>
<p>3. <u>Evaluation of uncertain tax matters:</u> The Company has material uncertain tax matters under dispute which involves significant judgment to determine the possible outcome of these disputes. Refer Notes 2.26 and 2.27 to the Financial Statements.</p>	<p>Obtained details of tax assessments and demands for the year ended March 31, 2019 from management. The company has not made any provisions for the disputed demands and in view lack of information and uncertainties in estimating the tax provision and the possible outcome of the disputes, we are unable to concur with the management's position on these uncertainties.</p>
<p>4. <u>Examination of employee benefit expenses:</u> Consequent to the Hon'ble High Court of Uttarakh and order, the company has retrenched 146 employees in Ranibagh and has made provisions for the unpaid dues and settlement allowances as per the Industrial Dispute Act, 1947.</p>	<p>We have verified the Court order along with the legal advice obtained by the company.</p> <p>We have also Performed analytical procedures on the settlement allowance and other dues payable and test of details for reasonableness of incurred and estimated in the financials statement.</p>

Other Matters

i) Note No.2.8(b) – regarding inclusion of immovable properties in Non-current assets held for sale, vested under the Scheme of Arrangement approved by Government of India and non-carrying of the mutation of title deeds in the revenue records to that effect. Hence, the title to the immovable properties could not be verified.

ii) Note No. 2.8(c) – regarding possession of gifted land located at Bangalore admeasuring 89.74 acres of which 7.0 acres of land encroached upon and the matter taken up with the Government of Karnataka to shift the un authorized occupants. Though the Company is in possession of lands at various units, it has not obtained up-to date encumbrance certificates

- from the concerned authorities to ascertain the extent of encroachment/title verification.
- iii) Note No. 2.27– regarding pendency of sales tax assessments, suits filed by employees and non ascertainment of liabilities on sale of land, respectively, not provided for in the accounts.
- iv) Note No 2.12 – regarding loan from Government of India (GOI). We have not been provided confirmation from department of Heavy Industries.
- v) Note No. 2.35 – regarding non refund of Rs.100 Lakhs to GOI out of Rs. 200 Lakhs – Plan Assistance received during March 2007 for meeting capital expenditure and accounting of FD in favour of Holding Company.
- vi) We are unable to comment on the compliance of section 186 and 188 of Company Act 2013 in respect of advance given and transaction with related party entered during the year as necessary document for compliance of said section is not provided for our verification.
- vii) Company has not constituted an Audit Committee as required under the provisions of Section 177 of the Companies Act, 2013. The Internal Audit Reports are not reviewed by the Management periodically and corrective action taken to report compliance to the Board.
- viii) The Company does not have a qualified Company Secretary as required under the provisions of Section 203 of the Companies Act, 2013.
- ix) Other current liabilities include a sum of Rs. 926.64 Lakhs relating to advances received against sale of land including buildings. The company has executed an agreement to sale and the possession of land (including buildings) has been given to the purchaser. The transaction has not been recognized as sale pending approval from the concerned authorities for the execution of sale deed. The value of land (including buildings) has been included in the asset held for sale in Note 2.8 and the possession is already given to the buyer. The consequential impact on the losses, carrying amount of the assets, depreciation and tax liabilities are not ascertainable.
- x) There is no system of obtaining periodical confirmation of balances relating to trade receivables, trade payables, loans and advances, current liabilities and provisions and in many cases the balances are subject to reconciliation. The effect of the same on current assets and current liabilities and on the net loss for the year is not ascertainable. Reconciliation has not been done for many years. We are unable to obtain direct balance confirmation from parties in the absence of details of parties made available to us.
- xi) The details for interest on delayed payment of statutory dues were not made available. The company has neither ascertained nor worked out the quantum of penal interest, penalties and damages towards default in remitting statutory dues. In the absence of such details, we are unable to express our opinion on adequacy of provision towards interest on delayed payment and its impact on financial statements.
- xii) In Watch Marketing Division, Retention Deposit, EMD and Security Deposits and other old outstanding liabilities shown under other current liabilities continue to be carried forward even though all the showrooms were closed. Complete party wise details of such deposits are not available and no steps have been taken to ascertain the details and review/reconciliation of such deposits.
- xiii) Company has not disclosed contingent liability if any relating to sale of land to Canara bank and subsequent claim by third party vide miscellaneous petition no. 621/622 pending adjudication.
- xiv) One of the creditor of the company had obtained execution decree dated 30-05-1998 passed in OS no. 15652 of 2008 for Rs. 128 lakhs. This fact together

with contingent liability if any has not been disclosed in the financial statements of the company.

- xv) Finance cost includes interest on delayed payment of statutory dues instead of disclosing the same distinctly.

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

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report other than the matters mentioned above.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally

accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, subject to our observations mentioned in Basis for Qualified Opinion and Other Matter in above paragraph, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account, subject to our observations mentioned above in Basis for Qualified Opinion and Other Matter in above paragraph.
- d) **Except for the effects of the matters described in the Basis for Qualified Opinion paragraph above**, in our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) In our opinion, based on the Notification No. GSR 829(E) dated 21.10.2003 issued by the Department of Company Affairs, Government of India, the requirements under sub-section (2) of section 164 of the Companies Act, 2013 does not apply to the Company, being a Government Company.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure A**". Our report expresses an disclaimer opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:
In our opinion and according to the explanations given to us, the Company has not paid any remuneration to its directors during the year.
- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- I. The Company has disclosed the impact of pending litigations on its financial position in its financial statements.
 - II. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
 - III. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "**Annexure B**" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For Gowthama and company
Chartered Accountants
(Firm Reg. No.: 005917S)

Harsha K M
Partner

Date : 29-04-2019
Place : New Delhi

Mem. No.: 223068

ADDENDUM TO THE INDEPENDENT AUDITORS' REPORT
Dated 29th April 2019 ON THE FINANCIAL STATEMENTS OF HMT WATCHES LIMITED
FOR THE YEAR ENDED 31ST MARCH 2019

TO THE MEMBERS OF HMT WATCHES LIMITED, BANGALORE

This letter serves as an addendum to and should be read in conjunction with our Independent Auditors' Report dated 29th April 2019 on the financial statements of the Company. This addendum forms part and parcel of our Report.

After Paragraph: "Report on Other Legal and Regulatory Requirements" of Independent Auditors' Report dated 29th April 2019, the following Paragraph is inserted:

Particulars	Remarks
1 Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	The company is in the process of closure of the company. All the accounting transactions were made through IT system except for Ranibagh unit where books of accounts are maintained manually and monthly consolidated entry was entered in the IT system. Based on our verification, there are no significant impacts on the integrity of the accounts or towards financial implications for the company.
2 Whether there is any restructuring of an existing loan or cases of waiver/write off of debts/loans/interest, etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated.	No such cases noticed during the year.
3 Whether funds received/receivable for specific schemes from Central/State agencies were properly accounted for /utilized as per its terms and conditions? List the cases of deviation.	No such cases noticed during the year.

For Gowthama and company
Chartered Accountants
 (Firm Reg. No.: 005917S)

Date : 29-04-2019
 Place : New Delhi

Harsha K M
Partner
 Mem. No.: 223068

**‘ANNEXURE-A’ TO THE INDEPENDENT AUDITOR’S REPORT OF EVEN DATE
ON THE FINANCIAL STATEMENTS OF HMT Watches Limited, Bangalore.**

(Referred to in “Report on Other Legal and Regulatory Requirements” paragraph 1(f) of our report of even date)

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

We were engaged to audit the internal financial controls over financial reporting of **HMT Watches Limited, Bangalore** (“the Company”) as of March 31, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on essential components such as the control environment, the entity’s risk assessment process, control activities, Information system and communication and the monitoring of such controls. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Disclaimer Opinion

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

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

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

For Gowthama and company
Chartered Accountants
(Firm Reg. No.: 005917S)

Date : 29-04-2019
Place : New Delhi

Harsha K M
Partner
Mem. No.: 223068

The 'ANNEXURE B' referred to the Our Report of even date to the members of HMT WATCHES LIMITED, BANGALORE on the accounts of the company for the year ended 31st March, 2019.

(Referred to in "Report on Other Legal and Regulatory Requirements" paragraph 2 of our report of even date)

The Annexure referred to in our Independent Auditor's Report to the members of the Company on the financial statements for the year ended 31st March 2019. We report that:

- i) In respect of its Fixed Assets
 - a. The Company has not maintained up to date proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - b. As explained to us, the fixed assets have been not physically verified by the management and in the absence of such physical verification we are unable to comment on discrepancies.
 - c. We are unable to comment on whether the title deeds of immovable properties are held in the name of the Company as sufficient information and appropriate evidence supporting the same in the units where we have audited are not made available to us and in the absence of the specific comment on the same by the other Auditors in their Report.
- ii) In respect of its Inventories:
 - a) According to information and explanation provided to us, the management has not carried out physical verification of inventory. The Inventories with Customs Warehouses, Clearing and Shipping Agents and inventories lying with third parties were not physically verified and no confirmation obtained.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are not reasonable and adequate in relation to the size of the Unit and the nature of its business.
 - c) In our opinion and according to the information and explanations given to us, the company has not maintained proper records of inventories.
- iii) The company has not granted any loans, secured or unsecured, to any company, firm or other parties listed in the register maintained under section 189 of the Act. Accordingly, clause (iii)(a) and (b) of paragraph 3 of CARO 2016 is not applicable.
- iv) In our opinion and according to the information and explanations given to us, the Company has not complied with the provisions of Section 185 and 186 of the Act, with respect to the loans made to the holding companies.
- v) In our opinion and according to the information and explanations given to us, during the year, the Company has not accepted any deposits from the public covered under section 73 to 76 of the Companies Act or any other relevant provisions of the Companies Act or the rules framed there under or directions issued by RBI. Therefore this clause is not applicable to the Company.
- vi) The Central Government has not prescribed the maintenance of cost records under sub-section (1) of Section 148 of the Act, for any of the activities of the Company.

vii) In respect of statutory dues:

- a) According to the records of the Company, undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax, Service tax and other statutory dues have not been regularly deposited with the appropriate authorities.

According to the information and explanations given to us, the details of undisputed amounts payable in respect of the aforesaid dues outstanding as at March 31, 2019 for a period of more than six months from the date of becoming payable are given below:-

Name of the Statute	Nature of Dues	Amount (Rs. In Lakh)	Period to which the amount relates	Date of Payment
WATCH FACTORY, RANIBAGH				
Uttarchanl Pollution Control Board	Fees for renewal of Licence	4.78	Not Available	Not Paid

- b) According to the information and explanations given to us, there are no dues of Income Tax, Sales Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax, Cess which have not been deposited as on March 31, 2019 on account of disputes except the following:

Name of the Statute	Nature of dues	Amount (Rs. In Lakh)
Sales Tax		23.20
Central Excise Act, 1944	Goods Seized	232.79
Others		9.49
Employees Provident Fund and Misc. Provisions Act, 1952	Interest Under Sec.7Q of PF Act Interest for damages under Sec. 14B of the PF Act	1,588.56
Arbitration	Arbitration cases	70.90
Income Tax	TDS Traces Defaults	36.39

- viii) In our opinion and according to the information and explanations given to us, the Company does not have any outstanding dues to financial institutions, banks or debenture holders during the year. In respect of loans obtained by the Company from Government of India there is default in repayment of the loans.
- ix) The Company did not raise any money by way of debt instruments and term loans during the year. Accordingly, paragraph 3(ix) of the Order is not applicable.
- x) According to the information and explanations given to us by the management, no material fraud on or by the company has been noticed or reported during the course of our audit.
- xi) During the year Company has not paid any managerial remuneration and therefore this clause is not applicable.

- xii) According to the information and explanations given to us and in our opinion, the Company is not a Nidhi Company and therefore clause is not applicable.
- xiii) According to the information and explanations given to us, all the transactions with the related parties are not in compliance with section 188 and 177 and where applicable the details have been disclosed in the financial statements as required by the accounting standard and Companies Act 2013.
- xiv) According to the information and explanations given to us, the company has not made any preferential allotment / private placement of shares or fully or partly convertible debenture during the year under review and therefore this clause is not applicable to the company.
- xv) According to the information and explanations provided to us, the company has not entered into any Non-cash transactions with Directors or persons connected with him and therefore this clause is not applicable to the company.
- xvi) According to the Information and Explanation given to us, the company is not required to obtained the registration under section 45-IA of the Reserve Bank of India Act, 1934.

For Gowthama and company
Chartered Accountants
(Firm Reg. No.: 005917S)

Date : 29-04-2019
Place : New Delhi

Harsha K M
Partner
Mem. No.: 223068

ADDENDUM TO DIRECTORS REPORT FOR THE YEAR 2018-19 IN RESPECT OF OBSERVATIONS MADE BY STATUTORY AUDITORS ON THE ACCOUNTS OF HMT WATCHES LIMITED FOR THE YEAR ENDED 31ST MARCH 2019

Auditor Queries	Replies
1. Disagreement on Accounting Policies Inappropriate Disclosure:	
<p>a) <i>Going Concern Concept:</i></p> <ul style="list-style-type: none"> • The Board of Directors of HWL in their 72nd board meeting held as on 18.01.2016 had decided to close down the HWL after getting the approval from cabinet committee of Economic Affairs. • The accumulated losses of HWL as at the March 31, 2019 amounted to Rs. 2,69,939.75 Lakhs against which the paid up capital of HWL is Rs.649.01 Lakhs and the losses has totally eroded the net worth of HWL. • HWL has been incurring continues operating losses for the past many years . • The total liabilities of HWL as at March 3,2019 is Rs.2,75,217.41.95/- Lakhs against which the Fixed and current assets of Rs.6,518.94 lakhs . • The contingent liabilities disclosed in the financial statements as at March 31, 2018 are Rs.567.62 lakhs and there are other liabilities, which have not been quantified. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. • Consequent to the decision of closing down HWL, it has sold all its Property Plant & Equipment (“PPE”) other than the immovable properties and PPE of Ranibagh Unit. In respect of immovable property other than Ranibagh Unit, HWL is in the process of transferring the assets. <p>b) Certain internal control deficiencies were observed during the course of audit of financial statements. The management does not establish adequate internal controls to ensure that transactions were properly classified, accounted, reviewed and reconciled. The units of HWL did not follow the established internal controls such as performing</p>	<p>The Company is a subsidiary of HMT Limited and has been carrying on its activities. The Company has been receiving financial support from the Government of India. The financial statements have been prepared as per Ind AS ongoing concern concept.</p> <p>DHI conveyed vide letter dated 13-1-2016, the decision of the CCEA to close the Company by sending all the employees on VRS/VSS. The Company have relieved all the employees on VRS/VSS and retrenchment.</p> <p>The Company has appointed the practicing Chartered Accountant firms as Internal auditors. No major discrepancies are reported by the internal auditors. The necessary corrective action as suggested by auditor has been taken care during the next financial year.</p>

Auditor Queries	Replies
<p>account reconciliations, obtaining periodical conformation of balances, and periodical verification of fixed assets, payment vouchers duly supported by sanctions and providing management an oversight of the financial management accounting processes.</p> <p>c) The Company has not complied the disclosure for the following as per IND AS:-</p> <ol style="list-style-type: none"> i. As per Ind AS – 8, HWL has not done the retrospective adjustment of prior period errors and omissions by restating the comparative amounts for prior period presented or where the errors relates to the period (s) before the earliest prior period presented, restating the opening balance of assets, liabilities and equity for that period. ii. As per Ind AS – 36, HWL has not identified, measured, quantified and disclosed the impairment of assets and its impact on the current financial statements. iii. As per Ind AS 109, HWL has not recognized interest free refundable security deposits at fair value. iv. Fair value of recognition of financial assets and liabilities <p>d) The details of PPE with written down value of Rs.1 lakh and above which have been retired from active use and disclosed at lower of book or net realizable value were not made available in respect of watch factory Ranibagh.</p> <p>e) Valuation of inventories not being in accordance with the IND AS 2 - Valuation of Inventories due to:</p> <ul style="list-style-type: none"> • During the year under review HWL had conducted physical verification of raw materials, work in progress and finished goods of all the divisions other than the Ranibagh Unit. However, we have not been provided any reconciliation statement of stock as per books and physical verification. • In watch factory Ranibagh the work in progress is valued at cost instead of cost or NRV whichever is lower. 	<p>In our opinion the Company doesn't have any prior period expenses which require adjustment as per Ind AS. Hence, no restatement has been done.</p> <p>The Company is under closure and classified all its PPE under Non-Current assets held for sale at book value the NRV is more than the Book Value, Hence there is no impairment.</p> <p>The Company is under closure and extinguishing all its liabilities and realizing all assets at the earliest to remove its name from ROC. Therefore security deposit has to be refunded immediately.</p> <p>The Company is under closure and the assets and liabilities are being addressed during the next financial year.</p> <p>The details of PPE will be made available during the next financial year.</p> <p>The Company has reconciled inventories with books of accounts in respect of the Ranibagh Unit.</p> <p>The valuation of WIP is at cost only as there is no MRP/ NRV for the WIP. We are not selling the WIP.</p>

Auditor Queries	Replies
<ul style="list-style-type: none"> • Individual details of slow/non-moving goods and obsolete inventories were not made available to us. In Watch Marketing Division and Watch Factory Ranibagh no provision was made towards non-moving/slow moving inventory which is contrary to the Accounting policy of the Group. Accordingly, we are unable to comment on adequacy of such provisions made in the books of accounts. • No provision for additional duty redemption fine and penalty of Rs.150.00 Lakhs was made in the accounts relating to watch components valued at Rs. 343.30 Lakhs taken into custody by the Customs authorities in the earlier years in Watch Factory, Ranibagh. <p>In view of the above we do not express an independent opinion on the correctness of existence and valuation of inventories. Net effect of the same on the financial results is not ascertainable.</p> <p>f) As required by Part II, Schedule III of the Act, the statement of profit and loss Account does not disclose item of income or expenditure which exceeds 1 percent of revenue from the operation or Rs.10 Lakhs whichever is higher.</p> <p>g) Finance cost includes interest on delayed payment of statutory dues instead of disclosing the same distinctly.</p> <p>h) HWL has not made provision for liability towards the interest payable under Micro, Small and Medium Enterprises Development Act, 2006, if any, in the books of accounts. The impact of non-provision for such interest on the financial statements of HWL and the Group is not ascertainable. In the absence of confirmation from vendors and non-availability of adequate information with the units, provision made towards interest and the principal amount disclosed as dues as on balance sheet date, we are unable to comment on the adequacy of provision and the impact on the financial statements.</p>	<p>The Company has made a provision of Rs. 11.12 Crores at WFR.</p> <p>The case is settled in favour of the Company. The Company is needed not to make any provision.</p> <p>The annual accounts are prepared based on the quantum transactions. Further, it is noted and the same will be reviewed and necessary corrective action will be taken during the FY 2019-20.</p> <p>It is noted and the same will be reviewed and necessary corrective action will be taken during the FY 2019-20.</p> <p>As per the data/information available with the Company, the Vendors are not MSME Certified/Registered.</p>

Auditor Queries	Replies
<p>i) HWL is in possession of lease hold land admeasuring 33.32 acres at Ranibagh. Lease period of the said land expired in 2014. HWL is still continuing to show the said land under Property, Plant & Equipment (“PPE”) and claiming depreciation resulting in overstatement of PPE and understatement of losses to an extent of Rs.5.14 lakhs.</p>	<p>It is noted and the same will be reviewed and necessary corrective action will be taken during the FY 2019-20.</p>
<p>2. Disagreement with the Accounting Issues:</p>	
<p>a) Other current liabilities include an amount of Rs.926.64 Lakhs relating to advances received against sale of land including buildings. HWL has executed an agreement to sell and the possession of land (including buildings) has been given to the purchaser. The transaction has not been recognized as sale pending approval from the concerned authorities for the execution of sale deed. The value of land (including buildings) has been included in the respective head under PPE though there are no future economic benefits flowing to HWL or to the Group and the possession is already given to the buyer.</p> <p>b) There is no system of obtaining periodical confirmation of balances relating to trade receivables, trade payables, loans and advances, current liabilities and provisions and in many cases the balances are subject to reconciliation. The effect of the same on current assets and current liabilities and on the net loss for the year is not ascertainable. Reconciliation has not been done for many years. We are unable to obtain direct balance confirmation from parties in the absence of details of parties made available to us.</p> <p>c) Balances with banks in current account with scheduled banks relating to few of the show rooms amounting to Rs. 31.38 Lakhs and cash on hand amounting to Rs. 1.29 Lakhs relating to Watch Marketing Division are disclosed as per books of accounts. We have not been provided the bank confirmation of balance and physical cash certificates. No explanation with regard to the cash balance of show rooms and bank balances were provided to us.</p>	<p>The sale deed has not yet been executed since approval from the competent authority has not been obtained and the Company has been consistently adopting the accounting such sale only after conveyance of the property.</p> <p>All the trade receivables are pertaining prior to the period of 2005. We have made provision for all the trade receivables. However, it is to be noted that all the parties are under litigation and with the court cases.</p> <p>The Company closed all the showrooms and funds available at showrooms are transferred to Watch Marketing division account. After verification it is noted that the amounts transferred to WMK account is accounted in the suspense account and later transferred to other income instead of concerned showroom account. Necessary corrective action will be taken after getting/ correcting the requisite information/data/documents from the Units.</p>

Auditor Queries	Replies
<p>d) Other current assets include a sum of Rs.21.11 lakhs representing suspense account Dr. (OBS) and Rs.1.98 lakhs representing suspense account debit – OBS Opn (Cr.) relating to watch marketing division. Individual details of such credits/ debits were not ascertainable and are subject to reconciliation.</p>	<p>The suspense accounts will be reconciled during the FY 2019-20 and will be closed by obtaining approval from the competent authority.</p>
<p>e) GST liability under reverse charge mechanism has neither been ascertained nor provided for in the accounts.</p>	<p>All the payments are made on account basis. Necessary action will be taken at the time of final settlement made to the party.</p>
<p>f) The details for interest on delayed payment statutory dues were not made available. HWL has neither ascertained nor worked out the quantum of penal interest, penalties and damages towards default in remitting statutory dues.</p>	<p>The interest on delayed payment of statutory dues are paid.</p>
<p>g) No provision towards gratuity amounting to Rs. 28 Lakhs during training period has been made in the financial statements as ordered by ALC on the applications filed by 125 separated employees and orders of Honorable High Court of Karnataka to deposit Rs. 28 Lakhs, which is contrary to IND AS 37- Provisions, Contingent Liabilities and Contingent Assets, resulting in understatement of loss and current liabilities and provisions to that extent.</p>	<p>The case is pending with Honorable HIGH COURT. The payments will be made as and when the received order from Court.</p>
<p>h) In Watch Marketing Division, Retention Deposit, EMD and Security Deposits and other old outstanding liabilities shown under other current liabilities continue to be carried forward and many of the showrooms have been closed. Complete party wise details of such deposits are not available and no steps have been taken to ascertain the details and review/reconciliation of such deposits.</p>	<p>The Company has approached the various Courts to recover dues from the RDS. These amounts will adjust towards dues from the parties at the time of settlement on receipt of the court orders.</p>
<p>i) KVAT input credit as per books of Watch Factory, Tumkur is Rs.18.11 Lakhs whereas as per KVAT Form 100 it is NIL. No reconciliation has been carried out by HWL.</p>	<p>All the transaction pertains to VAT are explained to the concerned authorities. The unit is closed.</p>

Auditor Queries	Replies
<p>j) HWL has not disclosed contingent liability if any, relating to sale of land to Canara Bank and subsequent claim by third party vide miscellaneous petition no. 621/622 pending adjudication.</p> <p>k) No provision has been made for liabilities aggregating Rs. 1,588.57 Lakhs in respect of employee related claims relating to lockouts, back wages, incentives, annual bonus etc. This has resulted in understatement of net loss by Rs. 1,588.57 Lakhs and corresponding understatement of current liabilities to that extent.</p> <p>l) In pursuant to distress warrant dated 23-12-2011 issued by BBMP for recovery of Rs.381.31 Lakhs of property tax along with penalty for the period from 01-10-1995 to 2011-12, a total provision of Rs.665.19 Lakhs has been made towards such taxes and penalties as at the March 31, 2018.</p> <p>m) One of the creditors of HWL had obtained execution decree dated 30-05-1998 passed in OS no. 15652 of 2008 for Rs. 128 Lakhs. This fact together with contingent liability if any has not been disclosed in the financial statements of HWL.</p> <p>Effect on all the above matters is not ascertainable on the financial statements of the Group.</p>	<p>The party has no documents and the documents which are produced are found in the court are bogus. There is no need to made any provision in the books of accounts</p> <p>This case is pertains to 1979-80. As all the employees are relived on VRS after taking under taking of no dues from the Company. The Company will review the status of the cases and corrective action will be taken during 2019-20</p> <p>The Company has made one time settlement with BBMP. Awaiting the final order.</p> <p>The Company settled the amount in the court.</p>
<p>Our adverse opinion is based on the following observations :</p>	
<p>a. Though the company is under closure as reported in material uncertainty related to going concern section, the accounts have been prepared on a going concern basis deviating from Ind AS 1.</p> <p>b. In terms of letter dated January 13, 2016 received from the Government of India, Ministry of Heavy Industries and public Enterprises, the company failed to transfer the entire proceeds of sale of immovable property to the Government of India, and also in terms of subsequent letter dated</p>	<p>The Company received approval from DHI vide letter dated 13-1-2016. The company relieved all the employees on VRS and disposed the movable and immovable assets of the company. The Company also received the approval from DHI for winding up. The company has to settle the Debtor, creditors and legal cases. It is therefore the company drawn the accounts as going concern.</p> <p>As per the CCEA approval the GOI Loans will be written off in the Books only on the closure of the Company.</p>

Auditor Queries	Replies
<p>13th January, 2017, failed to write off the GOI loan. The said non-compliance has resulted in understating of the other Equity of the company by Rs.8,303.29 lakhs and overstating of Other Financial Liabilities by Rs. 8,303.29 lakhs.</p> <p>c. HBL has neither made any provision for expected credit loss nor has obtained confirmation of balances from trade receivables whose balances are outstanding for more than one year and they have been classified as current assets. HBL is doubtful of recovery of the said debts.</p> <p>d. Trade payables and certain advance accounts of HBL were carried forward from previous year and shown under current liabilities/ assets. HBL has no records/ confirmation letters for the same to determine whether they are payable/ receivable or not.</p> <p>e. HBL has not disclosed information as required by Micro, Small and Medium Enterprises Development Act, 2006. Effect on all the above is not ascertainable on the Financial Statement of the Group.</p>	<p>The Company is in the process of winding up and is forming a Committee for One Time Settlement of Creditors and recovery of Debtors and the balance if any payable/ receivable will be reconciled before Voluntary Winding up of Company.</p> <p>The company is in the process of settling all creditors after determining the amounts during 2019-20. The company is in the process of winding up. By ascertaining the amounts of advances, it will be settled during 2019-20.</p> <p>The creditors are not submitted the data regarding the registration of MSME</p>

For Gowthama and company
Chartered Accountants
(Firm Reg. No.: 005917S)

Place : Bangalore

Harsha K M
Partner
Mem. No.: 223068

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF HMT WATCHES LIMITED, BANGALORE FOR THE YEAR ENDED 31 MARCH 2019

The preparation of financial statements of HMT Watches Limited for the year ended on 31 March 2019 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139(5) of Act are responsible for expressing opinion on these financial statements under Section 143 of the Act based on the independent audit in accordance with the Standards on Auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 29 April 2019.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 143(6)(a) of the Act, of the financial statements of HMT Watches Limited for the year ended on 31 March 2019. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report:

B. Comments on Financial Position

Balance Sheet

Equity and Liabilities

Current Liabilities

Other Financial Liabilities (Note No. 2.12): Rs. 2669.40 crore

The Ministry of Heavy Industries and Public Enterprises vide letters dated 13.01.2017 & 27.03.2017 communicated write-off of Government of India (GoI) loans and holding company loans (along with interest thereon) amounting to Rs. 2791.99 crore. The Company has not accounted for the write-off of loans/interest in its books of accounts as on 31.03.2019 in total. However, the Company has adjusted an amount of Rs. 122.59 crore received from the sale proceeds of the land at Tumkur against the aforesaid outstanding loans/interest. This has resulted in overstatement of Other Financial Liabilities (Note No.2.12) and the negative balance of 'Other Equity' (Note No. 2.11) by Rs. 2669.40 crore.

**For and on behalf of the
Comptroller and Auditor General of India**



**(M. S. Subrahmanyam)
Director General of Commercial Audit &
Ex-Officio Member, Audit Board,
Hyderabad**

**Place: Hyderabad
Date: 14 August 2019**

<p>B. Comments on Financial Position</p> <p>Balance Sheet</p> <p>Equity and Liabilities</p> <p>Current Liabilities</p> <p>Other Financial Liabilities (Note No. 2.12) : Rs. 2669.40 crore</p> <p>The Ministry of Heavy Industries and Public Enterprises vide letters dated 13.01.2017 & 27.03.2017 communicated write-off of Government of India (GoI) loans and holding company loans (along with interest thereon) amounting to Rs. 2791.99 crore. The Company has not accounted for the write-off of loans/interest in its books of accounts as on 31.03.2019 in total. However, the Company has adjusted an amount of Rs. 122.59 crore received from the sale proceeds of the land at Tumkur against the aforesaid outstanding loans/interest. This has resulted in overstatement of Other Financial Liabilities (Note No.2.12) and the negative balance of 'Other Equity' (Note No. 2.11) by Rs. 2669.40 crore.</p>	<p>The Ministry vide letter dated 13-1-2016 point (V) clearly stated that the loans will be waived after the closure of the Company.</p> <p>The same was confirmed during the 79th Board Meeting dt. 30-1-2017, to write off loans and interest after the closure of the Company.</p> <p>Therefore we have not written back the liability in the books of accounts.</p> <p>The company has remitted the proceeds to DHI from sale of Tumkur land after payment of applicable taxes.</p>
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**For and on behalf of the
Comptroller and Auditor General of India**



(M. S. Subrahmanyam)
**Director General of Commercial Audit &
Ex-Officio Member, Audit Board,
Hyderabad**

Place: Hyderabad
Date: 14 August 2019

Significant Accounting Policies:

i) **Basis of preparation:**

In accordance with the notification issued by the Ministry of Corporate Affairs, the Company has adopted Indian Accounting Standards ('Ind AS') notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from April 1, 2016. The standalone financial statements of the Company are prepared and presented in accordance with Ind AS and in accordance with the accounting standards notified under the section 133 of the Companies Act 2013 ('the Act'), read together with paragraph 7 of the Companies (Accounts) Rules, 2014 ('Indian GAAP').

The financial statements have been prepared on the historical cost convention on the accrual basis, except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii) **Summary of Significant Accounting Policies:**

a) **Use of estimates:**

The preparation of financial statements in conformity with Ind AS requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods. Any revision to accounting estimates is recognized prospectively.

b) **Property, Plant & Equipment**

Property, Plant and Equipment ('PPE') are stated at cost of acquisition or construction, net of

vatable taxes, less accumulated depreciation to date. Cost includes direct costs and financing costs related to borrowing attributable to acquisition that are capitalized until the assets are ready for use.

Expenditure in connection with the development of land is capitalised in the year in which the expense is incurred.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets.

Assets taken on Finance Lease are capitalized at fair value / NPV / contracted price. Depreciation on the same is charged at the rate applicable to similar type of fixed assets as per Accounting Policy on 'Depreciation'. If the lease assets are returnable to the lessor on expiry of lease period, the same is depreciated over its useful life or lease period, whichever is shorter.

Lease payments made are apportioned between finance charges and reduction of outstanding liability in relation to assets taken on lease.

Lease payments made for assets taken on Operating Lease are recognized as expense over the lease period.

The cost of an item of PPE shall be recognised as an asset if, and only if:

(a) it is probable that future economic benefits associated with the item will flow to the entity; and

(b) the cost of the item can be measured reliably.

Items of PPE which is held for sale within 12 months from the end of reporting period is disclosed at lower of carrying cost or fair value less cost of sale.

The carrying amount of an item of PPE is de-recognised:

- (a) on disposal; or
- (b) where no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of PPE shall be included in statement of profit or loss when the item is derecognised.

Special Tools:

Expenditure on manufactured and bought out special tools held for use in the production or supply of the goods or services and whose use is greater than one period is considered as an item of PPE and is depreciated over its useful life of 5 years.

c) Borrowing Cost:

Borrowing cost consists of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition of PPE which take substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use. All other borrowing costs are expensed in the period in which they occur.

d) Investment Property:

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any. The Company depreciated building component of investment property as per the useful life prescribed in Schedule II of the Act. Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their

disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in statement profit or loss in the period of de-recognition.

e) Intangible Assets :

- i) Intangible assets are stated at cost less accumulated amortization and impairment. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances), and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.
- ii) Expenditure on Technical Know-how is recognized as an Intangible Asset and amortized on straight line method based on technical assessment for a period not exceeding ten years. The amortization commences when the asset is available for use.
- iii) The cost of software internally generated / purchased for internal use which is not an integral part of the related hardware is recognized as an Intangible Asset and is amortized on straight line method based on technical assessment for a period not exceeding ten years.
- iv) *Research and Development Expenditure:*

Research Phase:

Expenditure on research including the expenditure during the research phase of Research & Development Projects is charged to profit and loss account in the year of incurrence.

Development Phase:

Expenditure incurred on Development Costs, which relate to Design, Construction and Testing of a chosen alternative for new or improved material, devices, products, processes, systems or services are recognized as an intangible asset. Such Intangible assets are amortized based on technical assessment over a period not exceeding ten years using straight line method.

f) Depreciation and Amortisation:

Depreciation on PPE is provided on straight line basis over the useful life of the various assets as prescribed in Schedule II to the Act, pro-rata with reference to the date of addition or deletion. As and when PPE gets fully depreciated, Re.1/- is retained as book value of the PPE. PPE costing less than Rs. 10,000/- shall be depreciated to Re.1/- in the year of purchase.

Each part of an item of PPE (also known as 'Component') with a cost that is significant in relation to the total cost of the item and has different useful life from that of the PPE it shall be depreciated separately.

Special Tools capitalised as PPE is depreciated over the period of five years and items those costing less than Rs.750 is depreciated in the year of acquisition/ manufacture.

Amortisation methods and useful lives of intangible assets are reviewed periodically including at the end of each financial year.

g) Non-current assets held for distribution to owners and discontinued operations:

The Company classifies non-current assets as held for sale/distribution to owners if their carrying amounts will be recovered principally

through a sale/ distribution rather than through continuing use. Actions required to complete the sale/ distribution should indicate that it is unlikely that significant changes to the sale/ distribution will be made or that the decision to sell/ distribute will be withdrawn. Management must be committed to the sale/ distribution expected within one year from the date of classification.

Non-current assets held for sale/for distribution to owners and disposal groups are measured at the lower of their carrying amount and the fair value less costs to sell/ distribute. Non-current Assets classified as held for sale/ distribution are presented separately in the balance sheet

h) Government Grants:

Government Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate are expenses. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

i) Inventories:

Raw materials, stores, work in progress and finished goods are valued at the lower of cost and net realizable value. The cost of materials is ascertained by adopting Weighted Average Cost Method.

Cost of work in progress, finished goods and goods-in-transit comprises direct materials, direct labour and an appropriate portion of variable and fixed overhead being allocated on the basis of normal operating capacity.

j) Revenue Recognition:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. Based on Ind AS 115, the Company has assumed that recovery of excise duty flows to the Company on its own account. This is for the reason that it is a liability of the manufacturer which forms part of the cost of production, irrespective of whether the goods are sold or not. Since the recovery of excise duty flows to the Company on its own account, revenue includes excise duty.

The Company collects the applicable taxes on behalf of the Government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from the aforesaid revenue/ income.

i) Sale of goods:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The Company recognises the Sale of Goods based on:

- 1) Physical delivery of goods to the customer/customer's carrier/common carrier, duly supported by invoice, excise duty paid challan, gate pass,

delivery voucher and LR / GR, in case of ex-works contracts.

- 2) In case of FOR destination contracts, "when the significant risk and reward of ownership get transferred to the buyer on physical delivery.
- 3) Despatches to dealers/customers in respect of sale.

ii) Rendering of services:

Revenue from sale of services is recognised by reference to the stage of completion. Stage of completion is measured by services performed to date as a percentage of total services to be performed.

iii) Rental Income:

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

iv) Dividend Income:

Dividend income is recognised when the Companies right to receive the payment is established, which is generally when shareholders approve the dividend.

v) Interest Income:

Interest income, including income arising from other financial instruments measured at amortised cost, is recognized using the effective interest rate method.

vi) Warranty:

Provisions for warranty-related costs are recognised when the product is sold

or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually. With regard to turnkey projects implemented by the company, warranty provision at the rate of 2 percent of the purchase value is provided

vii) Extended Warranties:

When the company sells extended warranty, the revenue from sale of extended warranty is deferred and recognised over the period covered by the warranty. Where extended warranties are included in the price of the product and provide protection in excess of that provided by normal terms and conditions of sale for the relevant product, the company will separate and account for these two items separately.

k) Foreign Currency Translation:

The functional currency of the Company is the Indian rupee. These financial statements are presented in Indian rupees.

Foreign-currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the balance sheet date. The gains or losses resulting from such translations are included in net profit in the statement of profit and loss.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of the transaction.

Transaction gains or losses realized upon settlement of foreign currency transactions are

included in determining net profit for the period in which the transaction is settled. Revenue, expense and cashflow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

l) Retirement & Other Employee Benefits:

Provident Fund is provided for, under a defined benefit scheme. The contributions are made to the Trust administered by the company.

Leave encashment is provided for under a long-term employee benefit based on actuarial valuation.

Gratuity is provided for, under a defined benefit scheme, to cover the eligible employees, liability being determined on actuarial valuation. Annual contributions are made, to the extent required, to a trust constituted and administered by the Life Insurance Corporation of India under which the coverage is limited to Rs.50,000/- per eligible employee. The balance provision is being retained in the books to meet any additional liability accruing thereon for payment of Gratuity.

Settlement allowance ('SA') is provided for, under a defined benefit scheme, to cover the eligible employees, liability being determined on actuarial valuation.

The Company recognizes the net obligation of a defined benefit plan i.e. Gratuity and SA in its balance sheet as an asset or liability. Gains and losses through re-measurements of the net defined benefit liability/ (asset) are recognized in other comprehensive income. In accordance with Ind AS, re-measurement gains and losses on defined benefit plans recognized in Other Comprehensive Income

are not to be subsequently reclassified to statement of profit and loss. As required under Ind AS compliant Schedule III, the Company recognizes re-measurement gains and losses on defined benefit plans (net of tax) to retained earnings.

Pension is provided for under a defined contribution scheme, contributions are made to the Pension Fund administered by the Government.

The amount of Rs.50,000/- per head received/receivable from LIC on account of gratuity claims in respect of employees separated under Voluntary Retirement Scheme during the year is accounted as Other Income.

In respect of employees who are separated other than under Voluntary Retirement Scheme, the Gratuity paid in excess of Rs.50,000/-, Earned Leave Encashment (ELE), SA is debited to the respective provision accounts. The provision at the yearend for Gratuity, ELE and SA is restated as per the actuarial valuation done at the year-end.

Gratuity, ELE, SA and lumpsum compensation paid to employees under Voluntary Retirement Scheme ("VRS") shall be fully written off in the year of incidence.

Expenses incurred in respect of bonds issued for raising funds to meet payments made under the VRS are fully written off in the year of disbursement.

m) Income taxes:

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the year. Current and deferred tax are recognized in the statement of profit and loss, except when they relate to items that are recognized in OCI or

directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

i) Current taxes:

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

ii) Deferred Taxes:

Deferred income tax assets and liabilities are recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

n) Provisions:

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized in the statement of Profit and loss.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future

events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

o) Impairment:

i) Financial assets:

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. The Company recognises lifetime expected losses for all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition

ii) Non-financial assets:

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless

the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Impairment losses are recognized in the statement of profit and loss. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

p) Financial Instruments:

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

i) Cash & cash equivalents:

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of

change in value and having original maturities of twelve months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

ii) Financial assets at amortised cost:

Financial assets are subsequently measured at amortized cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

iii) Financial assets at fair value through other comprehensive income:

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company presents the subsequent changes in fair value in Other Comprehensive Income.

iv) Financial assets at fair value through profit or loss:

Financial assets are measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial

assets and liabilities at fair value through profit or loss are immediately recognized in statement of profit and loss.

v) Financial Liabilities:

Financial liabilities are subsequently carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

vi) De-recognition of financial instruments:

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for de-recognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognized when the obligation specified in the contract is discharged or cancelled or expires.

vii) Fair value of financial instruments:

In determining the fair value of its financial instruments, the Company uses following hierarchy and assumptions that are based on market conditions and risks existing at each reporting date.

Fair value hierarchy:

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

viii) Investment in subsidiaries, joint ventures and associates:

Investment in subsidiaries, joint ventures and associates is carried at cost.

iii) Significant accounting judgements, estimations and assumptions:

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

i) Judgements:

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most

significant effect on the amounts recognised in the consolidated financial statements.

a Operating lease– Company as lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

b Discontinued Operations :

As per the CCEA Approval on 06/01/2016 it was decided that the operations of the Company will be closed. Thereafter, operations closed in the same Financial Year. According the Assets have been classified based on the definitions under IND AS16, IND AS 40 and IND AS 105. It is planned that the company will lease out the major portions of the land and buildings to a third party to generate lease rentals for the Company and accordingly, it is classified as Investment Properties

c Property, plant & equipment :

Building at Corporate Head Office, where the significant portion of the property is used as Company owner occupied property and certain portion has been leased out by the Company. The management doesn't have any intention to sell the building and the portion of building which has been leased is for a short period and accordingly, it has been classified as PPE.

ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation

uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

a Deferred Taxes :

Deferred Tax Assets must be recognised to the extent that it is probable that future profits will be available against which the deductible temporary difference can be utilised. The company does not recognise Deferred Tax Asset since the company has unused tax losses and there is no convincing evidence about future taxable profit.

b Defined Benefit Obligations:

The cost of the defined benefit gratuity plan and Settlement Allowance and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, the management considers the interest rates of government bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates.

c Other Long-Term Employee Benefits

Other Long-Term Employee Benefits like Earned Leave Encashment is determined through an actuarial valuation. The measurement of the long-term employee benefits is not subject to the same degree of uncertainty as the measurement of Defined Benefit Obligation. For this reason, the Re-measurement are not recognised in Other Comprehensive Income.

d Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the NAV/NRV model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

BALANCE SHEET AS AT 31ST MARCH 2019

(Rs. in lakhs)

	Notes No.	As at 31-Mar-2019	As at 31-Mar-2018
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	2.2	5.14	5.30
Current Assets			
a) Inventories	2.3	85.13	485.74
b) Financial Assets			
i. Trade Receivables	2.4	0.12	95.61
ii. Cash and Cash Equivalents	2.5	927.04	2,110.72
iii. Other Financial Assets	2.6	107.16	122.17
c) Other Current Assets	2.7	5,098.30	1,526.57
Non Current Assets Held for Sale	2.8	296.06	663.26
TOTAL ASSETS		6,518.94	5,009.37
EQUITY AND LIABILITIES			
Equity			
Equity Share Capital	2.9	649.01	649.01
Other Equity	2.10	(2,69,347.48)	(2,81,475.59)
Share application money Pending allotment		-	-
Non-current liabilities			
a) Financial liabilities			-
b) Provisions			
i. Employee Benefit obligations	2.13	-	864.42
c) Other non-current liabilities			-
Current liabilities			
a) Financial liabilities			
i. Borrowings		-	-
ii. Trade and other payables	2.11	244.68	294.23
iii. Other financial liabilities	2.12	2,66,939.75	2,79,198.73
b) Provisions			
i. Employee Benefit obligations	2.13	-	378.79
ii. Others	2.14	3,350.59	-
c) Other current liabilities	2.15	4,682.39	5,099.78
TOTAL LIABILITIES		6,518.94	5,009.37
Summary of Significant Accounting Policies	2.1		
See accompanying notes to the financial statements	2.2 To 2.40		

As per our report of Even date attached

For Gowthama & Co

Chartered Accountants

FRN : 005917S

Harsha K. M.

Partner, M.No.223068

Place : Bengaluru

Date : 29-04-2019

**For and on behalf of the Board of Directors of
HMT Watches Limited**
S. Girish Kumar

Chairman

DIN 03385073

Mohd. Zakir Hussain

Director

DIN 08152959

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019

(Rs. in lakhs)

	Note No.	Year ended 31-Mar-2019	Year ended 31-Mar-2018
Continuing Operations		-	-
Discontinued Operations			
Revenue from operations	2.16	-	424.07
Other income	2.17	124.74	165.23
Total revenue		124.74	589.30
Expenses			
Cost of material consumed	2.18	-	-
Purchase of Stock in Trade	2.19	-	-
Changes in inventory of work-in progress, stock-in- trade and finished goods.	2.20	-	424.07
Changes in Excise Duty on Finished Goods	2.21		-
Employee benefit expense	2.22	783.14	909.21
Other expense	2.23	2,168.64	391.90
Finance Cost	2.24	21.58	86.83
Depreciation and amortisation expense	2.2	0.16	0.16
Total expenses		2,973.53	1,812.17
Profit/ (loss) before exceptional items and tax		(2,848.79)	(1,222.87)
Exceptional items	2.25	(18,311.89)	(373.69)
Profit/ (loss) before tax		15,463.11	(849.18)
Tax expense			
a) Current tax		3,335.00	-
b) Deferred tax		-	-
Profit/ (loss) for the period from discontinued operations		12,128.11	(849.18)
Profit/ (loss) for the period		12,128.11	(849.18)

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019

	Note No.	Year ended 31-Mar-2019	(Rs. in lakhs) Year ended 31-Mar-2018
Other comprehensive income			
<u>Items that will not be reclassified to profit or loss</u>			
Remeasurement Gains/(Loss) on Defined Benefit Obligations		-	(518.20)
<u>Items that will be reclassified to profit or loss</u>			
Other Comprehensive Income		-	(518.20)
Total comprehensive income for the period		12,128.11	(1,367.38)
Earnings per equity share (for continuing operations)			
a) Basic		-	-
b) Diluted		-	-
Earnings per equity share (for discontinued operations)			
a) Basic	2.40		186.87
b) Diluted			186.87
Earnings per equity share (for discontinued & continuing operations)			
a) Basic			186.87
b) Diluted			186.87
Summary of Significant Accounting Policies	2.1		
See accompanying notes to the financial statements	2.2 To 2.40		

As per our report of Even date attached

For Gowthama & Co

Chartered Accountants

FRN : 005917S

Harsha K. M.

Partner, M.No.223068

Place : Bengaluru

Date : 29-04-2019

**For and on behalf of the Board of Directors of
HMT Watches Limited**

S. Girish Kumar

Chairman

DIN 03385073

Mohd. Zakir Hussain

Director

DIN 08152959

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

(Rs. in lakhs)

	Year ended 31-Mar-2019	Year ended 31-Mar-2018
Operating activities		
Profit before tax from continuing operations	-	-
Profit/(loss) before tax from discontinued operations	15,463.11	(849.18)
Profit before tax	15,463.11	(849.18)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and impairment of property, plant and equipment	0.16	0.16
Gain/(Loss) on disposal of property, plant and equipment	(16,506.08)	0.00
Finance income	(120.66)	(125.08)
Finance Cost	21.58	86.83
Working capital adjustments:		
Movements in provisions, gratuity	(1,243.21)	221.96
Increase in trade and other receivables and prepayments	(373.47)	614.33
Decrease in inventories	400.61	424.07
Increase in trade and other payables	(466.94)	(2,084.16)
	(2,824.90)	(1,711.06)
Income tax paid/reversed	(3,080.06)	0.00
Net cash flows from operating activities	(5,904.96)	(1,711.06)
Investing activities		
Proceeds from sale of property, plant and equipment	16,865.60	0.00
Interest received	120.66	125.08
Net cash flows used in investing activities	16,986.26	125.08
Financing activities		
Repayment of Loan	(12,258.98)	0.00
Interest paid	(5.99)	(86.83)
Net cash flows from/(used in) financing activities	(12,264.97)	(86.83)
Net increase in cash and cash equivalents	(1,183.67)	(1,672.81)
Cash and cash equivalents at the beginning of the year	2,110.72	3,783.53
Cash and cash equivalents at year end	927.04	2,110.72

Note:1) The above statement has been prepared under the indirect method as set out in Ind AS 7

2) The Cash and Cash equivalents has been considered as per Note No.7

As per our report of Even date attached

For Gowthama & Co

Chartered Accountants

FRN : 005917S

Harsha K. M.

Partner, M.No.223068

Place : Bengaluru

Date : 29-04-2019

**For and on behalf of the Board of Directors of
HMT Watches Limited**
S. Girish Kumar

Chairman

DIN 03385073

Mohd. Zakir Hussain

Director

DIN 08152959

Notes on financial statements for the year ended

Statement of changes in equity

A. Equity Share Capital

(In lakhs)

Balance at the beginning of the reporting period 1st April 2017	Changes in equity share capital during the year 2017-18	Balance at the end of the reporting period 31st March 2018	Changes in equity share capital during the year 201819	Balance at the end of the reporting period 31 st March 2019
6,49,01,000	Nil	6,49,01,000	Nil	6,49,01,000

B. Other Equity

	Reserves and Surplus				Other Comprehensive Income			Total equity attributable to equity holders of the company
	Capital Reserve	Retained earnings	General Reserve	FVTOCI Reserve	Discontinued operations	Equity Instruments through other comprehensive income	Other items of other Comprehensive Income	
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	
Balance as of 1st April 2017	-	-	-	-	(2,87,202.54)	-	7,094.33	(2,80,108.21)
Changes in accounting policy or prior period errors								
Restated Balance as of 1st April 2017	-	-	-	-	(2,87,202.54)	-	7,094.33	(2,80,108.21)
Discontinued operations	-	-	-	-	(849.18)	-	-	(849.18)
Remeasurement of the net defined benefit liability/asset, net of tax effect							(518.20)	(518.20)
Total Comprehensive income for the year								-
At 31 March 2018	-	-	-	-	(2,88,051.72)	-	6,576.13	(2,81,475.59)

	Reserves and Surplus				Other Comprehensive Income			Total equity attributable to equity holders of the company
	Capital Reserve	Retained earnings	General Reserve	FVTOCI Reserve	Discontinued operations	Equity Instruments through other comprehensive income	Other items of other Comprehensive Income	
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	
Balance as of 1st April 2018	-	-	-	-	(2,88,051.72)	-	6,576.13	(2,81,475.59)
Changes in accounting policy or prior period errors								
Restated Balance as of 1st April 2018	-	-	-	-	(2,88,051.72)	-	6,576.13	(2,81,475.59)
Discontinued operations	-	-	-	-	12,128.11	-	-	12,128.11
Remeasurement of the net defined benefit liability/asset, net of tax effect							-	-
Total Comprehensive income for the year								-
At 31 March 2019	-	-	-	-	(2,75,923.61)	-	6,576.13	(2,69,347.48)
Money received against share warrants					NIL			

As per our report of Even date attached

For Gowthama & Co

Chartered Accountants

FRN : 005917S

Harsha K. M.

Partner, M.No.223068

Place : Bengaluru

Date : 29-04-2019

**For and on behalf of the Board of Directors of
HMT Watches Limited**

S. Girish Kumar

Chairman

DIN 03385073

Mohd. Zakir Hussain

Director

DIN 08152959

Notes on financial statements

2.2 PROPERTY, PLANT AND EQUIPMENT

<i>(Rs. in lakhs)</i>									
4	Particulars	Land- Freehold	Land Leasehold	Buildings	Plant & Equipments	Furniture & Fixture	Vehicles	Special Tools	Total
Gross Block									
	At 1 April 2017	-	8.84	-	-	-	-	-	8.84
	Additions								-
	Disposals		-						-
	Assets Held for Sale	-		-	-	-	-	-	-
	At 31 March 2018	-	8.84	-	-	-	-	-	8.84
	Additions								-
	Disposals								-
	At 31 March 2019	-	8.84	-	-	-	-	-	8.84
Accumulated Depreciation									
	At 1 April 2017	-	3.38	-	-	-	-	-	3.38
	Depreciation/Amortisation charge for the year		0.16						0.16
	Disposals								-
	Assets Held for Sale	-		-	-	-	-	-	-
	At 31 March 2018	-	3.38	-	-	-	-	-	3.38
	Depreciation/Amortisation charge for the year		0.16						0.16
	Disposals								-
	Assets Held for Sale	-		-	-	-	-	-	-
	At 31 March 2019	-	3.70	-	-	-	-	-	3.70
Net book value									
	At 31 March 2019	-	5.14	-	-	-	-	-	5.14
	At 31 March 2018	-	5.30	-	-	-	-	-	5.30
		31-03-2019	31-03-2018						
	Net book value	Amount	Amount						
	Plant Property and Equipment	5.14	5.30						

2.2(a) The Company is in possession of lease hold land measuring 33.32 acres at Ranibagh. The lease period is expired in the year 2014. The Company has requested the lessor for exxtesion untill the closer of the Company.

NOTES ON FINANCIAL STATEMENT

(Rs. in lakhs)

	31-Mar-2019 in Lakhs	31-Mar-2018 in Lakhs
2.3 INVENTORIES		
(At Cost or NRV whichever is lower)		
Raw Materials	215.49	215.49
Stores and Spares	207.09	207.09
Scrap	10.33	10.33
Finished Goods	340.49	340.49
Work-in-progress	424.14	424.14
Total	1,197.55	1,197.55
Less: Provisions	(1,112.42)	(711.81)
Total	85.13	485.74
2.4 TRADE RECEIVABLES		
Trade receivable others	0.12	95.61
Total	0.12	95.61
TRADE RECEIVABLES		
Secured Considered good		
Unsecured, considered good	0.12	95.61
Doubtful	3,863.86	3,863.86
Less Allowance for doubtful Debts	(3,863.86)	(3,863.86)
Total	0.12	95.61
Trade Receivable for a period > 6 Month	0.12	95.61
Trade Receivable for a period < 6 Month	-	-
2.5 CASH AND CASH EQUIVALENTS		
Balances with banks		
- Current Account	327.17	368.80
Deposit with banks	599.72	1,740.56
Cash on hand	0.15	1.36
Total	927.04	2,110.72
2.6 OTHER FINANCIAL ASSETS		
Interest Accrued on Bank deposit	107.16	122.17
Total	107.16	122.17

NOTES ON FINANCIAL STATEMENT

(Rs. in lakhs)

	31-Mar-2019 in Lakhs	31-Mar-2018 in Lakhs
2.7 OTHER CURRENT ASSETS		
Dues from Related Parties		
Chinar Watches Ltd	13.62	-
Machine Tools Ltd	135.89	77.68
HMT Ltd	1,414.46	645.83
HMT (I) Ltd	1.15	-
Bearings	4.52	3.44
Secured		
- Considered Good	23.8	-
(Unsecured considered good)		
- Capital Advances	5.70	5.70
(Unsecured considered good)		
- Considered Good	0.26	273.71
- Claims recoverable	404.86	457.18
- Considered Doubtful	-	293.00
Less : Provision for Doubtful Advance	-	(293.00)
(Unsecured considered Doubtful)		
- Capital Advacnes	5.28	5.28
Less: Provision for doubtful advances	(5.28)	(5.28)
Deposits with various authorities	13.98	63.05
Advance Tax Paid	3,080.06	
Total	5,098.30	1,526.57
2.8 Non Current Assets Held for Sale		
Land - Freehold	24.04	367.15
Buildings	271.97	290.28
Plant and Equipment	0.00	5.78
Furniture and Fixtures	0.05	0.05
Total	296.06	663.26

2.8(a) The manufacturing operations have been discontinued during the year 2016-17 and in line with approval of the Government of India, all the moveable assets being disposed off (other than in Ranibagh Unit where the process is yet to be completed) to meet the closure liabilities. The rights of transfer of immovable assets have been assumed by the Government and HMT Limited is the custodian of the properties till their disposal.

2.8(b) Non Current Assets Held for Sale includes immovable properties vested under the Scheme of Arrangement approved by Govt. of India. However, the mutation of title deeds is yet to be carried out in the revenue records to that effect.

NOTES ON FINANCIAL STATEMENT

(Rs. in lakhs)

	31-Mar-2019	31-Mar-2018
	in Lakhs	in Lakhs
2.8(c)	The Company is in possession of gift land located at Bangalore admeasuring 89.74 acres of which 7.0 acres of land has been encroached upon and the matter has been taken up with the Govt. of Karnataka to shift the un-authorized occupants.	
2.8(d)	During 2003-04 based on a MOU entered in to between HMT Ltd. and the Company, certain lands were sold and the profit on sale of such lands amounting to Rs.1421 lakhs were accounted in HMT Ltd. books. Equivalent value of the land is yet to be identified and transferred to the Company.	
2.8(e)	The Company is in possession of 119 acres and 26 guntas of land at Tumkur.	
2.8(f)	The Company is in possession of land at Ranibhag admeasuring 58.98 acres (purchase 33.655 acres, acquired 11.967 acres and Govt. land 13.36 acres).	
2.8(g)	Fixed assets have been transferred from the Holding Company to the Subsidiary at the Gross values, Reserve for Depreciation and Net values as on 1.4.2000 in line with Para 10(J) and Annexutire 13 of the Scheme of Arrangement approved by the Department of Company Affairs. Depreciation has been charged for the year 2000-2001 and onwards on the original cost of the assets on straight line basis, keeping in view the estimated life of the asset.	

NOTES FORMING PART OF BALANCE SHEET

2.9 Share capital

(Rs. in Lakhs)

	Authorised share capital	
	Number(in Lakhs)	Amount
At 1 April 2017	70.00	700.00
Increase/(decrease) during the year		
At 31 March 2018	70.00	700.00
Increase/(decrease) during the year		
At 31 March 2019	70.00	700.00
	Issued Capital	
	Equity Shares of INR 10 each issued and fully paid	
	Number	Amount
At 1 April 2017	64,90,100	649.01
Increase/(decrease) during the year		
At 31 March 2018	64,90,100	649.01
Increase/(decrease) during the year		
At 31 March 2019	64,90,100	649.01

The company has only one class of equity shares having par value of INR10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders

Details of shareholders holding more than 5% shares in the Company:

Name of the Shareholder	No of shares	% holding	No of shares	% holding
Equity shares of INR10 each fully paid HMT Ltd	64,90,100	100.00%	64,90,100	100.00%

The company has only one class of equity shares having par value of INR 10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees.

NOTES ON FINANCIAL STATEMENT

(Rs. in lakhs)

	31-Mar-2019 in Lakhs	31-Mar-2018 in Lakhs
2.10 Other Equity		
Retained Earnings	(2,69,347.48)	(2,81,475.59)
Total	(2,69,347.48)	(2,81,475.59)

Components of other comprehensive income (OCI)

The disaggregation of changes to OCI by each type of reserve in equity is shown below:

During the year ended 31 March 2018

	Retained Earnings INR lacs	Total INR lacs
Re-measurement gains (losses) on defined benefit plans	(518.20)	(518.20)
	(518.20)	(518.20)

During the year ended 31 March 2019

	Retained Earnings INR lacs	Total INR lacs
Re-measurement gains (losses) on defined benefit plans	-	-
	(518.20)	(518.20)

2.11 TRADE AND OTHER PAYABLES

Due to micro and small enterprises*

Dues to Trade Payable

Total

-	-
244.68	294.23
244.68	294.23

*Under the Micro, Small and Medium Enterprises Development Act, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. The company has not received any confirmation from Vendors regarding their status under MSMED ACT 2006 and hence disclosure relating to amounts un-paid as at the year .

2.12 OTHER FINANCIAL LIABILITIES

GOI Liabilities

Total

2,66,939.75	2,79,198.73
2,66,939.75	2,79,198.73

Note: Consequent to the approval accorded by the CCEA in its meeting held on 06-01-2016 and communication from DHI vide letter dated 13-01-2016 to close down the operations, the loan from Government of India, Interest Accrued there on upto 2014-15 has been classified under other Financial liabilities.

NOTES ON FINANCIAL STATEMENTS

(₹ in lakhs)

	31-Mar-2019 in Lakhs	31-Mar-2018 in Lakhs
2.13 EMPLOYEE BENEFIT OBLIGATIONS		
Non Current		
Gratuity	-	565.59
Earned Leave Encashment	-	263.51
Settlement Allowance	-	35.32
Total	-	864.42
Current		
Gratuity	-	24.62
Earned Leave Encashment	-	10.93
Provision for Pay Revision	-	343.24
Total	-	378.79
Total	-	1,243.21
2.14 PROVISIONS		
Income tax provision	3,350.59	-
Closing Balance	3,350.59	-
2.15 OTHER CURRENT LIABILITIES		
Dues to Related Parties		
HMT International Ltd	0.21	0.32
HMT Machine Tools Ltd	38.11	-
HMT Bearings Ltd	-	-
HMT Chinar Watches Ltd	370.67	357.05
HMT Ltd, (Holding Company)	52.86	-
HMT Bearings Ltd	1.08	-
Statutory Liability	112.55	220.87
Advance received against sale of land	926.64	889.62
E M D Received	0.75	3.05
Retention Deposit	1.47	8.67
Security Deposit	7.30	23.31
Unpaid salaries and wages	301.19	1,760.34
Gratuity Payable	795.67	-
Less: Fund Available in Gratuity Trust	(502.09)	-
Earned Leave Encashment Payable	179.33	-
Pay Revision Payable	87.19	-
Settlement Allowance Payable	45.16	-
Others	915.75	1,836.55
7Q & 14B Interest Payable	1,348.56	-
Total	4,682.39	5,099.78

NOTES ON FINANCIAL STATEMENT

(Rs. in lakhs)

	for the years ended 31.03.2019	for the years ended 31.03.2018
2.16 REVENUE FROM OPERATIONS		
Sale of Watches	-	424.07
Total	-	424.07
2.17 OTHER INCOME		
A. Other Income		
Provisions No Longer Required	-	11.32
Miscellaneous Income	4.08	28.83
	4.08	40.15
B. Interest Income		
Interest received on Fixed Deposits	120.66	125.08
	120.66	125.08
Total	124.74	165.23
2.18 COST OF MATERIAL CONSUMED		
A. Raw material and Components		
Inventory at the beginning of the year	215.49	215.49
Add: Purchases	-	-
Inventory at the end of the year	215.49	215.49
	-	-
B. Stores, Spares and Other Component Consumed	-	-
	-	-
Less: Stock Written off		-
Total	-	-
2.20 Changes in inventory of work-in progress, stock-in- trade and finished goods.		
Finished goods		
Opening	340.49	671.01
Closing	340.49	340.49
		330.52
Work in progress		
Opening	424.14	424.14
Closing	424.14	424.14
	-	-

NOTES ON FINANCIAL STATEMENT

(Rs. in lakhs)

Particulars	for the years ended	
	31.03.2019	31.03.2018
Inventory of Scrap		
Opening	10.33	10.33
Closing	10.33	10.33
	-	-
Inventory of Stores & Spares		
Opening	-	93.55
Closing	-	-
	-	93.55
	-	424.07
Total	-	424.07
2.22 EMPLOYEE BENEFIT EXPENSES		
Salaries and Wages	-	691.15
Provident Fund Contribution	-	66.83
Retrenchment	712.86	-
Notice Period	47.48	-
Settlement Allowance	10.97	-
Gratuity	-	97.19
Staff welfare exp.	11.83	54.04
Total	783.14	909.21
2.23 OTHER EXPENSES		
Office Rent	-	23.62
Water and Electricity	13.10	20.17
Insurance	0.08	1.39
Rates and Taxes	37.73	20.18
Travelling Expenses & Conveyance Allowance	9.78	9.42
Printing and Stationary Expenses	0.74	1.20
Power & Fuel	0.30	5.25
Auditors Remuneration	1.89	1.81
Advertisement & publication	-	0.10
Miscellaneous Expenses	49.60	72.84
Carriage outwards	0.05	9.90
Legal Expenses & professional charges	19.53	82.85
Postage and telephone expenses	0.69	1.93
Repair & Maintenance	2.84	2.83

NOTES ON FINANCIAL STATEMENT

(Rs. in lakhs)

Particulars	for the years ended	
	31.03.2019	31.03.2018
MSTC Service Charges	-	5.80
7Q/14B Interest	1,506.66	-
Security Expenses	69.83	122.56
Casual Labour Charges	49.60	-
Share of Holding Company Exp.	5.62	10.05
Provision for Inventory	400.61	-
Total	2168.65	391.90
2.24 Finance Cost		
Interest on Delayed Payment of Advance Tax	15.59	-
Bank charges	1.96	-
Other Interest	4.03	86.83
Total	21.58	86.83
2.25 Exceptional items		
Profit on sale of Assets (Tumkur Land)	16,506.08	-
Liabilities/Provision no longer required	1,805.81	(373.69)
Total	18,311.89	(373.69)

NOTES ON FINANCIAL STATEMENT
2.26 CONTINGENT LIABILITIES & COMMITMENTS (to the extent not provided for)
Contingent Liabilities

Claims against the company not acknowledged as debt

	31.03.2019	31.03.2018
a) Tax related claims pending in appeal		
- Sales Tax	23.20	23.20
- Customs Duty	-	-
- Excise duty	232.79	232.79
- TDS Traces Defaults	36.24	36.24
- Others	9.49	9.49
b) Other money for which company is contingently liable	31.03.2019	31.03.2018
- Employee related claims relating to lockouts, back wages, incentives, annual, annual bonus etc pending adjudication to the extent ascertainable	213.89	213.89
- Liability towards interest, penalty/damages as per 7Q and 14B of the Provident Fund Act		1,374.67
c) Others	70.90	70.90

2.27 - Sales tax assessments are pending since 2008-09. Additional liability if any is not ascertainable

2.28 - 146 Ex-employees of one of the Divisions who have opted for VRS have filed case for payment of additional ex-gratia. The amount is not quantifiable.

2.29 - Liability, if any, relating to sale of land by the Company to Canara Bank and subsequent claim by third party vide Miscellaneous Petition No. 621/622, pending adjudication has not been made.

2.30 - Advances received against sale of land amounting to Rs. 889.62 Lacs represents amount received from Raman Institute of Technologies towards sale of land and building. The value of land and buildings has been included in the respective head under fixed assets. Though the Company has executed an Agreement to Sell and possession of land given to the Purchaser, the transaction has not been recognized as sale pending approval from the concerned authorities for the execution of sale deed.

2.31 VALUE OF IMPORTS CALCULATED ON CIF BASIS BY THE COMPANY DURING THE FINANCIAL YEAR	31.03.2019	31.03.2018
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Components and Spare Parts	-	-
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2.32 EXPENDITURE IN FOREIGN CURRENCY

Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest and other matters

Nil	Nil
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2.33 EARNINGS IN FOREIGN EXCHANGE	Nil	Nil
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NOTES ON FINANCIAL STATEMENTS

2.34 Balances under trade payables, short term loans and advances, deposits and other current liabilities are subject to confirmation. Bank balance confirmation as at the close of the year have been received from certain showrooms only. In respect of other show rooms, bank balance is adopted as per books of account. Same are subject to confirmation by the respective banks.

2.35 The Government of India (GOI) had released a Plan Assistance of Rs. 2.00 Crores to the Company (HMT Watches Ltd.) during March 2007 through Holding Company (HMT Limited) to meet the Capital Expenditure, in the form of Equity (Rs. 1.00 Crores) & Loan (Rs.1.00 Crores). In view of the non utilization of the funds by the Company within the stipulated period, GOI had instructed the Holding Co. during December 2009 for refund of the total Plan Assistance of Rs. 2.00 Crores. Accordingly, the Holding Company has refunded the Loan amount of Rs. 1.00 Crores to GOI during February 2010. However, with regard to refund of equity portion, since the Company has already issued 10,00,000 Equity Shares of Rs. Rs.10 each (Rs.1.00 Crores) in favour of Holding Company during the year 2007-08, the same could not be carried out, as it would amount to reduction in share capital requiring the approval of the Share Holders and completion of other statutory formalities as per the Companies Act, 1956 and applicable rules in this regard, and the same has been communicated to GOI. Further instructions are awaited from GOI on the same. The amount of Rs.1.00Cr. is kept in FD in favour of Holding Company, the Holding Company is giving a credit of interest for the interest earned year on year basis. The cumulative interest up to 31.03.2018 is Rs. 71.12 Lacs which includes Rs. 7.00 Lacs for the year 2017-18.

2.36 Trade Receivable include dues from 37 parties (previous year 37 parties) 3,430.00 3,430.00
against whom cases have been filed before various courts pending adjudication

2.37 The Deferred Tax Assets has not been recognized in the absence of reasonable certainty that sufficient future taxable Income will be available against which such Deferred Tax Assets can be adjusted.

2.38 Segment reporting as per IND AS 108

The Company is carrying on the business of manufacture, sale and servicing of wrist watches. Sale of wrist watches is only the product in which company is engaged. Due to decision of closure of business, entire business has been classified under discontinued operation.

2.39 Related Party Disclosure (IND AS 24)

During year following transaction took place with related parties:

		<i>Rs. in Lacs</i>
<i>Name of the Related Party</i>	<i>Nature of Transactions</i>	<i>Amount</i>
HMT Machine Tools Ltd	Interest Received	
HMT LTD (CHO)	Interest Received	

NOTES ON FINANCIAL STATEMENTS

(₹ in lakhs)

2.40 Earnings per share (EPS)

	31-Mar-2019 INR Lakhs	31-Mar-2018 INR Lakhs
Profit attributable to equity holders:		
Continuing operations	-	-
Discontinued operation	12,128.11	4,404.08
Less: Other Comprehensive Income	-	2,936.07
Profit attributable to equity holders for basic earnings	12,128.11	1,468.01
Interest on convertible preference shares	-	-
Profit attributable to equity holders of the parent adjusted for the effect of dilution	12,128.11	1,468.01
Weighted average number of Equity shares for basic EPS*	64.90	64.90
Effect of dilution:	-	-
Convertible preference shares	-	-
Weighted average number of Equity shares adjusted for the effect of dilution *	64.90	64.90
Earnings per equity share (for discontinued operations)	186.87	22.62

* There have been no other transactions involving Equity shares or potential Equity shares between the reporting date and the date of authorisation of these financial statements.