HMT CHINAR WATCHES LIMITED

CONTENTS

BOARD OF DIRECTORS

Shri S. Girish Kumar	Chairman
Smt Shashi B. Srivastava	Managing Director (from 01-11-2017)
Shri V. P. Singh	Director
Shri B. M. Shivashankar	Managing Director (upto 31-10-2017)

STATUTORY AUDITORS

For Subhaschandra P Kudari & Co
Chartered Accountants
Bengaluru.

REGISTERED OFFICE

HMT Chinar Watches Limited
SIDCO Industrial Complex
JAMMU -181133

PERFORMANCE HIGHLIGHTS

(₹ in Lakhs)

	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
OPERATING STATISTICS										
Sales	0	224	11	91	39	36	8	10	68	70
Other Income	1	464	369	37	12	361	30	119	507	341
Materials		548	0	2	0	0	1	1	7	25
Employees Cost	-14	-11	1023	166	181	305	431	475	571	899
Other operating cost	13	60	175	362	15	37	45	29	365	365
Depriciation	0	0	0	13	11	11	11	12	12	13
Earning before Interest & Tax	2	91	-818	-415	309	-188	-397	-840	-1742	-4330
Interest	0	0	133	4489	4360	4285	4007	3700	3252	2617
Earning / Loss before Tax	2	91	-951	-4904	-5056	-5116	-4404	-4540	-4994	-6947
Taxation (Net of Provisions withdrawn/Refunds								-		1
Net Earnings	2	91	-951	-4904	-5056	-5116	-4404	-4540	-4994	-6948
FINANCIAL POSITION										
Net Fixed Assets	0	0	82	120	163	174	186	197	210	222
Current Assets	604	649	3251	689	972	1106	1071	1065	1516	1078
Current Liabilities and Provisions	59518	59563	62504	2635	4796	4416	4955	4836	4677	4582
Working Capital	-58914	-58914	-59253	-1946	-3824	-3310	-3884	-3771	-3159	-3504
Capital Employed	-58914	-58914	-59171	-1826	-3661	-3136	-3698	-3574	-2949	-3282
Investments	-	-	-	-	-	-	-	-	-	-
Misc. Expenditure	-	-	-	-	-	-	-	-	-	-
Borrowings	59703	59703	594.18	56361	49626	45095	39415	35137	31220	25893
Net Worth	-58914	-59247	-59171	-58219	-53287	-48231	-43113	-38711	-34170	-29176
OTHER STATISTICS										
Capital Expenditure				-	-	-	-	-	-	13
Internal Resources Generated	2	91	-951	-4891	-5045	-5105	-4393	-4528	-4982	-6935
Working Capital turnover Ratio	-0.01	-0.01	-0.01	-0.06	-0.02	-0.02	-0.01	-0.01	-0.02	-0.02
Current Ratio	-0.01	-0.01	-0.05	-0.26	-0.20	-0.25	-0.22	-0.22	-0.32	-0.24
Return on Capital (%)	0	0	32.07	-0.81	-0.81	-0.81	-0.77	-0.72	-0.62	-130.7
No of Employees	0	0	0	32	34	54	111	114	147	228
Per Capita Sales	0.00	0.00	0.00	2.84	1.15	0.67	0.07	0.09	0.46	0.31

DIRECTORS' REPORT 2017-18

To
The Members
HMT Chinar Watches Limited
Jammu

The Board of Directors have pleasure in presenting the 18th Annual Report on the business, operations and Annual Financial Statements of the Company for the financial year 2017-18 along with Auditors' Report thereon. The Comments of the Comptroller & Auditor General of India are attached to this Report along with reply of management.

FINANCIAL PERFORMANCE

The Company discontinued the operation from the year 2016-17 onwards and initiated closure activities like disposal of assets and clearing liabilities as per the CCEA approval.

The Company made a profit of Rs.1.46 Lakhs during the year. The financial highlights are as follows:

Financial summary/Performance of the Company

(Rs. in Lakhs)

Financial Highlights	2017-18	2016-17
Gross profit / (Loss)	1.46	90.90
Depreciation	0	0
Interest	0	0
Net profit / (Loss) after tax	1.46	90.90
Reserves Withdrawn	Nil	Nil
Balance carried to Balance sheet	1.46	90.90

SHARE CAPITAL

The Authorized Share Capital of the Company is Rs. 2,00,00,000/- consisting of 20,00,000 Equity Shares of Rs. 10/- each. The issued, Subscribed and Paid- up Share capital of your Company stood at Rs.1, 66, 01,000/- as on March 31, 2018.

NET WORTH

The Net Worth of the Company as on 31-3-2018 is Rs (589.14) Crores.

DIVIDEND

In view of the accumulated losses amounting to Rs. (590.80) Crores, your Directors are not in a position to recommend any dividend on the equity share capital for the period.

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

Department of Heavy Industries vide letter dated 13th January, 2016 have conveyed the approval of CCEA for the Closure of HMT Chinar Watches Limited and to relieve all the employees of the Company on VRS/VSS and by retrenchment under Industrial Dispute Act, 1947 to those who are not opting VRS/VSS.

The Company announced VRS/VSS vide office order dated 20-01-2016. In responses to the above, all the employees of the Company opted for VRS/VSS and were relieved. The company settled all the dues of the employees. All the movable assets of the company are sold. The Leasehold Land has been handed over to J & K Government "*as is where is*" condition along with Buildings and other structures.

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 31.03.2018 and the date of this report.

AUDITORS

M/s. Shubhas Chandra P. Kudari & Co, Chartered Accountant was appointed as Statutory Auditors of the Company for the Year 2017-18, by the C&AG.

Replies to the observations of the Auditor in their report are given by way of an addendum to this report. The comments by Comptroller and Auditor General of India on the accounts are given separately.

AUDITORS' REPORT

The Statutory Auditor has submitted Independent Auditors' Report for the year 2017-18.

VIGILANCE ACTIVITIES

Emphasis was laid on preventive vigilance by striving towards strict adherence to all rules and procedure and all norms of transparency in tendering process

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The directors had laid down Internal Financial Controls with reference to the Financial Statements to be followed by the company and such internal financial controls were in place during the FY 2017-18 and are adequate.

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

The Company continues to give high priority to the conservation of energy on an ongoing basis.

The company has not taken any measures for Technology Adoption.

There were no Foreign Exchange earnings and outgo during the financial period ended 31st March, 2018.

PARTICULARS OF EMPLOYEES / PERSONNEL

All the employees have been relieved during the year 2015-16 as such there are no employees in the Company as on 31-03-2018.

IMPLEMENTATION OF OFFICIAL LANGUAGE

Since there are no employees in the company during the year 2017-18, Implementation of official language not applicable.

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 133 of the Act read with Rule 3 of the companies (Indian accounting standards) Rules ,2015 and companies (Indian accounting standards) Amendment Rules, 2016.

- ✓ that in the preparation of the annual financial statements for the year ended 31.03.2018, 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 Indian accounting standards Rules, 2015 and companies (Indian accounting standards) Amendment Rules, 2016 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;

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Shri S. Girish Kumar Chairman & Managing Director HMT Ltd. continued as Director and Chairman of the company.

Shri B.M. Shivashankar was entrusted with additional charge of Managing Director from 01.06.2015 vide Ministry's letter dated June 12, 2015 up to 31-10-2017.

Smt. Shashi B Srivastava was entrusted with additional charge of Managing Director from 01.11.2017 vide Ministry's letter dated 27th October 2017.

Vide Presidential Order F No-5(8)/2010-P.E.X dated August 18th, 2015 issued by the Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, Shri V.P. Singh has been appointed as the Part-time Official Director of the Company with effect from August 18, 2015 and continue to be on the Board of Directors.

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

There were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

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.

ACKNOWLEDGMENTS:

The Directors are thankful to HMT Limited, The Holding Company, the various departments and ministries in the GOI particularly the Department of heavy Industry, Ministry of Corporate Affairs, Comptroller and Auditor General of India, Principal Director- Commercial Audit, Statutory Auditors, various State Governments specifically the State Govt. of J&K, Suppliers and Dealers, The Consortium of Banks and valued Customers of the Company, for their continued support and patronage.

The Directors also sincerely appreciate the contributions made by the employees at all levels in the operations of the Company during the year, despite the difficult situation faced by the Company.

For and on behalf of the Board of Directors.

Place : Bangalore

(S.Girish Kumar)
Chairman

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, 2018, the Board of Directors comprised of Chairman, Managing Director and one (1) 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 2017-18, four Board Meetings were held on 29th July, 2017, 28th October, 2017, 15th November, 2017 and 24th March, 2018

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	-	-
B. M. Shivashankar	NENI	2	-	4	4	-
V. P. Singh	NENI	4	-	3	3	-
Shashi B. Srivastava	MD/IC	2	-	3	1	-

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
2014-15	14-9-2015	10.30 A M	HMT Bhavan No.59, Bellary Road, B'lore-03.
2015-16	28-9-2016	10.30 A M	— DO —
2016-17	28-11-2017	11.00 AM	— DO —

Annual General Meeting for the current year is scheduled before September 30, 2018 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 31.03.2018

[*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	:	U29190JK2000PLC2088
ii.	Registration Date	:	September 04, 2000
iii.	Name of the Company	:	HMT Chinar Watches Limited
iv.	Category/Sub-Category of the Company	:	Company Limited by Shares /Union Government Company
v.	Address of the registered office and contact details	:	HMT Chinar Watches Limited SIDCO Industrial Complex, Jammu 181 133
vi.	Whether listed company	:	No
vii.	Name, Address and Contact details of Registrar and Transfer Agent, if any	:	HMT Chinar Watches Limited SIDCO Industrial Complex, Jammu 181 133

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	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding Subsidary Joint Venture	% of shares held associate
1	HMT Limited	L29230KA1953PTC000748	Holding	100

IV. SHAREHOLDING PATTERN (Equity Share Capital Break up as percentage of Total Equity)

i) Category-wise Share Holding

Cate-gory 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	Physcial	Total	% of Total Shares	Demat	Physcial	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	1660100	1660100	100	0	1660100	1660100	100	0
	Sub-Total A(1) :	0	1660100	1660100	100	0	1660100	1660100	100	0
(2)	FOREIGN	NIL								
	Sub-Total A(2) :	-	-	-	-	-	-	-	-	-
	Total A=A(1)+A(2)	0	1660100	1660100	100	0	1660100	1660100	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**	**1660100**	**1660100**	**100**	**0**	**1660100**	**1660100**	**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	1660100	100	NIL	1660100	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	**1660100**	**100**	**1660100**	**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	**1660100**	**100**	**1660100**	**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 beinning of the year		Shareholding at the beinning 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
Indebtedness at the beginning of the financial year as on 01.04.2017				
i) Principal Amount	-	59703.21	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**-**	**59703.21**	**-**	**-**
Change in Indebtedness during the financial year				
- Addition	-	-	-	-
- Reduction	-	-	-	-
Net Change	**-**	**-**	**-**	**-**
Indebtedness at the end of the financial year 31.03.2018				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**-**	**59703.21**	**-**	**-**

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/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	-
7	Medical Benefits	-
	Total (A)	-
	Ceiling as per the Act	-

B. Remuneration to other Directors:

Independent Directors :

Particulars of Remuneration	*Name of MD/WTD*	*Total Amount*
- Fees for attending board/committee meetings		-
- Commission	-	-
- Others, please specify	-	-
Total (1)	-	-
Other Non-Executive Directors		
Particulars of Remuneration	-	-
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				

Due to absence/inadequacy of profits the Company Could not take up any CSR PROJECTS for the year 2016-17

INDEPENDENT AUDITORS' REPORT

TO,
THE MEMBERS,
HMT CHINAR WATCHES LIMITED,
JAMMU (JAMMU & KASHMIR)

Report on the Financial Statements

We have audited the accompanying financial statements of **HMT CHINAR WATCHES LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss, Statement of Changes in Equity and the Cash Flow Statement, and a summary of the significant accounting policies and other explanatory information for the year then ended.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in provisions of the Section 134(5) of the Act including the Indian Accounting Standards prescribed under 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 with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company.

This responsibility also includes maintenance of adequate accounting records in accordance with the preparation 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.

Auditor's' Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

We draw your attention to the following matters of the financial statements

a) The company has closed its unit and granted voluntary retirement to its employees and all the employees of the company relieved by settling their dues.

b) The company was having land on leasehold basis from Govt. Of J&K which was handed over back to the Govt.

c) Being Govt. of India Enterprise and fully subsidiary of HMT Limited, the government of India has already decided to close the company after incurring huge losses. The financial statements have been prepared on the basis of going concern assumption. But the operations have been closed few years ago as reported to us. Also no provision has been made for possibility of claims and losses which the company may face in future due to closure as there is no claim/ litigation against the company.

d) Sundry Creditors and Sundry Debtors were not confirmed. Company has shown a balance of Rs.559.05 laks from its parent company & its subsidiary companies. Suitable explanations not furnished about, whether it is a trade receivable or loans and advances and related disclosure in the financials were not made to us.

e) Income tax was not deducted on few payments such as Printing and stationary & Professional charges.

f) Company has not filed Income tax returns for the last few years. This has a direct impact on the allowing of the losses incurred by the company as well as related tax provisions.

g) Annual filing with the ROC, J&K has not been done few the last few years.

h) GST migration has not been done under the GST regime from VAT.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the indeterminate effects of the matter described in above Para, in the basis of qualified opinion paragraph, the accompanying financial statements together with the notes thereon attached thereto, give the information required by the act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2018;

b) In the case of the Statement of Proût and Loss, of the Profit for the year ended on that date; and

c) In the case of the Cash Flow Statement, of the cash ûows for the year ended on that date.

Emphasis of Matters

Without qualifying our report, we draw your attention on the following matters:

a) Note no. 2.6 and 2.7 to the financial statements regarding net worth of Company-.The Company's management has closed the operations and is in the process of winding up. The company has accumulated deficits and the net worth of the Company has been totally eroded. The negative net worth is Rs. 58,914.20 Lakhs as at March 31, 2018. However, the company will get continued support from the Government of India; hence financial statements have been prepared on going concern assumption basis.

b) The company funded an amount of Rs. 1,75,00,000.00 as a temporary loan to one of its subsidiary with a condition to pay back at once.

c) The sale of whole inventory has been made to HMT Watches Limited, being parent company and nothing has been realised from the buyer till the Balance Sheet date.

Other Matters

Report on Other Legal and Regulatory Requirements

1) As required by the Companies (Auditors Report) order 2016 (the order) issued by the Central Government of India in terms of sub section (11) of

Section 143 of the Act, We give in **Annexure -A** statements on the matters specified in paragraphs 3 and 4 of the order to the extent applicable.

2) In terms of sub section (5) of Section 143 of the Companies Act, 2013, we give in the **Annexure B**, a statement on the directors issued under the aforesaid section by the Comptroller and Auditor General of India.

3) As required by Section 143 (3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us.

(c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement and the statement of Changes in equity dealt with by this Report are in agreement with the books of account.

(d) Subject to matters described in the “Basis for Qualified Opinion” paragraph above, in our opinion, the aforesaid Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

(e) Being a Government Company provision of Section 164(2) of Companies Act, 2013 is not applicable as per notification dated 5th June 2015 issued by the Department of Company affairs, Government of India.

(f) The qualifications relating to the maintenance of accounts and other matters connect therewith are as stated in the “Basis for Qualified Opinion” paragraph above.

(g) With respect to the adequacy of the internal financial controls over the financial reporting of the company and the operating effectiveness of such controls, refer to our separate Report in **Annexure-C**

(h) With respect to the other matters included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company does not have pending litigations which would materially impact its financial position

ii. The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

Other observation:-

The books of accounts and inventory are maintained on computer as well as manual. But inventories register and Fixed Assets registers have not been updated properly.

For Subhaschandra P.Kudari & Co.,
Chartered Accountants

[S.P.KUDARI]
Proprietor
M. No. 020513
Firm Reg. No. 004094S

Place : Bengaluru
Date : 04-06-2018

ANNEXURE - A REFERRED TO IN THE INDEPENDENT AUDITOR'S REPORT

i) In respect of its fixed assets:

According to the information and explanations furnished to us, all the Fixed assets are sold during the preceding years and company do not have any fixed assets at the end of the financial year.

ii) In respect of its inventories:

According to the information and explanations furnished to us, all the inventories are sold during the preceding years and company do not have any inventories at the end of the financial year.

iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties listed in the register maintained under Section 189 of the Companies Act, 2013.

iv) Being Government Company, provisions of section 185 and 186 of the Companies Act, 2013 are not applicable.

v) The company has not accepted deposits from the public to which the provisions of section 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under apply.

vi) As informed to us, the Central Government of India has not prescribed maintenance of cost records under section 148 (1) of the Companies Act, 2013 for any product of the Company.

vii) According to the records of the Company and the information and explanations given to us in respect of statutory and other dues:

a. According our examination of the records, the company is not regular in depositing undisputed statutory dues in respect of Provident Fund, Income Tax, employees' state insurance, sales-tax, wealth tax, service tax, duty of customs, and duty of excise, value added tax, cess and any other statutory dues with the appropriate authorities.

Provident Fund outstanding for more than six (6) months is Rs. NIL and as informed to us TDS under income tax not deducted on various payments, further there is a liability towards TCS – Income tax of Rs.37,284/- which is outstanding for more than six months.

b. According to our examination of the records and books produced to us, there are **no dues** of Income Tax, Sales Tax, Wealth Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax, Cess and any other statutory dues which have not been deposited on account of any dispute.

viii) According to the information and explanations given to us and the records examined by us, the Company has not defaulted in repayment of dues to any banks or financial institutions and debentures holders.

ix) According to the information and explanations given to us, moneys not rose by way of initial public offer or further public offer (including debt instruments) and term loans were applied for the purposes for which those are raised.

x) To the best of our knowledge and belief and according to the information and explanations given to us, and during the course of our audit and examination of the records of the company, no fraud on or by the Company was noticed or reported during the year.

xi) The Company being a Government Company, provisions of Section 197 of the Companies Act, 2013 are not applicable and hence not commented upon.

xii) The company not being a Nidhi Company, clause (xii) of the Order is not commented upon.

xiii) The Company, being Government Company provisions of Section 188 of Companies Act, 2013 are not applicable. No Audit committee has been formed by the company as required under the provisions of Section 177 of the Companies Act, 2013.

xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence clause (xiv) of the Order is not commented upon.

xv) The Company has not entered into any non-cash transactions with directors or persons connected with them during the year and hence clause (xiv) of the Order is not commented upon.

xvi) In view of the nature of business carried on, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For Subhaschandra P.Kudari & Co.,
Chartered Accountants

[S.P.KUDARI]
Proprietor
M. No. 020513
Firm Reg. No. 004094S

Place : Bengaluru
Date : 04-06-2018

Annexure-B

ANNEXURE - B REFERRED TO IN THE INDEPENDENT AUDITOR'S REPORT

Auditor Queries		Replies
1.	Whether the company has clear title/lease deeds for freehold and leasehold respectively? If not please state the area of freehold and lease hold land for which title/lease deeds are not available?	NIL
2.	Whether there are any cases of waiver/write off of debtors/loans/interest etc., if yes, the reasons there for and amount involved	NIL
3.	Whether proper records are maintained for inventories lying with third parties & assets received as gift/grant(s) from the Govt. or other authorities.	NIL, Company do not have any assets.

For Subhaschandra P.Kudari & Co.,
Chartered Accountants

[S.P.KUDARI]
Proprietor
M. No. 020513
Firm Reg. No. 004094S

Place : Bengaluru
Date : 04-06-2018

ANNEXURE - C TO THE INDEPENDENT AUDITOR'S REPORT

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

We have audited the internal financial controls over financial reporting of **HMT CHINAR WATCHES LIMITED** as of 31 March 2018 and our opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting in the case of the financial statements of the Company.

Management's Responsibility for Internal Financial Controls:

The Company's management is responsible for establishing and maintaining internal financial 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.

Auditor's 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") issued by the ICAI 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 issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that I/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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for my /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.

Opinion

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

For Subhaschandra P.Kudari & Co.,
Chartered Accountants

[S.P.KUDARI]
Proprietor
M. No. 020513
Firm Reg. No. 004094S

Place : Bengaluru
Date : 04-06-2018

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE ACCOUNTS OF HMT CHINAR WATCHES LIMITED FOR THE YEAR ENDED 31ST MARCH 2018.

COMMENTS	REPLY
A. Comment on Profitability **Statement of Profits and loss** **Other income (Schedule-2.13)- Rs. 0.79 lakh** Above includes Rs. 0.65 lakh being rent for the period April 2017 to March 2018 received from UCO bank which was situated in the premises of the Company. The land and building on which HMT Chinar Watches Limited is situated was allotted to the Parent Company i.e. Hindustan Machine Tools Limited (HMT Bangalore). As the said land and building has already been surrendered to the State Government of Jammu & Kashmir in April 2017, the rent received for the said period should have been shown as amount payable to State Government of Jammu & Kashmir. Non-provision of liability on this account has resulted in overstatement of profit and understatement of Other Current Liability by Rs. 0.65 lakh.	The UCO bank is situated in the premises of HMT Chinar watches limited and is paying nominal rent to the Company in bank account with UCO bank. Since the Land is handed over to the Govt. of Jammu and Kashmir, Company has informed UCO Bank that the land and building have been handed over to the Govt. of Jammu and Kashmir and rent should be paid to J& K Govt. But Bank has paid rent by mistake to the Company as they did not have agreement with Govt. of Jammu and Kashmir. The Company is taking necessary action during the FY 2018-19.
B. Comment on Disclosure **B.1 Equity and Liabilities** **Non Current Liabilities–Provisions** **Employee benefits obligations (Schedule-2.8) (Rs. 190.21 lakh)** The above amount of Rs. 190.21 lakh represents the amount lying with Gratuity Trust on account of employees benefit obligation as on 31.03.2018. As all the employees have been given VRS based on the decision of the Cabinet to close the operations of the Company and final settlement has been made, nothing is payable towards employees benefit obligation. Hence the amounts of Rs. 190.21 lakh lying with the Gratuity Trust should have been shown as current assets instead of depicting negative figure under Non-current liabilities.	As per the IND AS accounting system, the Company accounted the amount of the balances with the Gratuity trust as on 31-3-2018. Company has relieved all its employees and there is no employees' obligation as on 31-03-2018, the cumulative amounts of Rs. 190.21 Lakhs as per the Gratuity Trust certificate has been shown under the schedule 2.8 liabilities as –ve as fund with gratuity trust is excess after settling the employees liabilities. The Company also requested the Gratuity trust to pay the amount to the Company.

COMMENTS	REPLY
B.2 Contingent Liabilities: NIL The above does not include Rs. 3021.87 lakh being the penal interest on delayed payment of dues to Central Industrial Security Force (CISF) on account of cost of deployment of CISF at HMT Chianr Watches Ltd. At Srinagar up to 4th June 2016. The Company requested for waiver of penal interest. Pending waiver of penal interest by CISF, Contingent Liability for Rs. 3021.87 lakh should have been disclosed. Non- disclosure of Contingent Liability has resulted in understatement of Contingent Liabilities by Rs. 3021.87 lakh.	Department of Heavy Industries (DHI) vide its letter no. I-050II/6/2014-PE-X dated 13th January, 2016 conveyed the approval of Cabinet Committee on Economic Affairs (CCEA) for closure of HMT Chianr Watches Limited. Accordingly, the Company received funds from GOI/DHI to relieve the Employees on VRS and settle the Liabilities to close the Company. GOI/DHI has sanctioned only principal dues of CISF and didn't give money to clear the penal interest on CISF Dues. The Company has written letter to CISF to waive off the penal interest, considering that Company is closed and doesn't have any assets. CISF is not empowered to waive the penal interest, as the matter is required to be taken up by DHI with Ministry of Home Affairs (MHA). Hence the liability towards Penal Interest is not shown as Contingent Liabilities. The Company is waiting for MHA response for waiver of the Penal Interest. The Company is under the closure and will settle the issue with CISF during the year FY 2018-19.

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

Sd/-
(Nandana Munshi)
Director General of Commercial Audit &
Ex-Officio Member, Audit Board-II
New Delhi

Place: New Delhi
Date: 31st August, 2018

For and on the behalf of the Board

Sd/-
(Shashi B. Srivastava, IDAS)
Managing Director

Place: Bangalore
Date: 31st August, 2018

ADDENDUM TO DIRECTORS REPORT FOR THE YEAR 2017-18 IN RESPECT OF OBSERVATIONS MADE BY STATUTORY AUDITORS ON THE ACCOUNTS OF HMT CHINAR WATCHES LIMITED FOR THE YEAR ENDED 31ST MARCH 2018

	Auditor Observation	Management Reply
a)	The company has closed its unit and granted voluntary retirement to its employees and all the employees of the company relieved by settling their dues.	CCEA/DHI vide letter dated 13-1-2016 directed closure of the Company by relieving all the employees by offering the attractive VRS package and by retrenchment under Industrial Dispute At 1947.
b)	The company was having land on leasehold basis from Govt. Of J&K which was handed over back to the Govt.	The Company obtained the land on lease from Govt of Jammu & Kashmir and handed over to Govt of Jammu and Kashmir on closure of the Company.
c)	Being Govt. of India Enterprise and fully subsidiary of HMT Limited, the government of India has already decided to close the company after incurring huge losses. The financial statements have been prepared on the basis of going concern assumption. But the operations have been closed few years ago as reported to us. Also no provision has been made for possibility of claims and losses which the company may face in future due to closure as there is no claim/litigation against the company.	The Company is preparing the financial statements on Going Concern basis till the removal of the name of the company from ROC. If there is any claims , the Company has to approach the GOI for the financial support.
d)	Sundry Creditors and Sundry Debtors were not confirmed. Company has shown a balance of Rs.559.05 laks from its parent company & its subsidiary companies. Suitable explanations not furnished about, whether it is a trade receivable or loans and advances and related disclosure in the financials were not made to us.	The amount of Rs 559.05 lakhs is pertaining to our CHO and other subsidiaries. These includes Rs 175.00 lakhs given loan to HMT Machine tools balance amounts is transfer of Inventories and Machines.
e)	Income tax was not deducted on few payments such as Printing and stationary & Professional charges	TDS amount not recovered on Printing and stationary. The same will be recovered from the future bills.
f)	Company has not filed Income tax returns for the last few years. This has a direct impact on the allowing of the losses incurred by the company as well as related tax provisions.	We will complete the filing the income Tax returns.
g)	Annual filing with the ROC, J&K has not been done few the last few years.	We will complete the filing of all the necessary documents
h)	GST migration has not been done under the GST regime from VAT.	There is no transactions. Production and sales. Is Nil . Therefore the migration under the GST regime not been done

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 CHINAR WATCHES LIMITED, FOR THE YEAR ENDED 31 MARCH 2018

The preparation of financial statements of HMT Chinar Watches Limited, for the year ended 31 March 2018 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act is responsible for expressing opinion on the financial statements under Section 143 of the Act based on 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 04 June 2018.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of HMT Chinar Watches Limited, for the year ended on 31 March 2018 under Section 143(6) (a) of the Act. 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 auditor and company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlights 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.

A. Comment of Profitability

Statement of Profit and loss

Other income (Schedule -2.13) ₹ 0.79 lakh

The above includes ₹ 0.65 lakh being rent for the period April 2017 to March 2018 received from UCO Bank which was situated in the premises of the Company. The land and building on which HMT Chinar Watches Limited is situated was allotted to the Parent Company i.e. Hindustan Machine Tools Limited (HMT Bangalore). As the said land and building has already been surrendered to the State Government of Jammu & Kashmir in April 2017, the rent received for the said period should have been shown as amount payable to State Government of Jammu & Kashmir. Non-provision of liability on this account has resulted in overstatement of Profit and understatement of Other Current Liabilities by ₹ 0.65 lakh

B. Comment on Disclosure

B.1 Equity and Liabilities

Non-Current Liabilities - Provisions

Employee benefits obligations (Schedule - 2.8) - (₹ 190.21 lakh)

The above amount of ₹ 190.21 lakh represent the amount lying with Gratuity Trust on account of employee benefit obligation as on 31.03.2018. As all the employees have been given VRS based on the decision of the Cabinet to close the operations of the Company and final settlement has been made, nothing is payable towards employees benefit obligation. Hence, the amount of ₹ 190.21 lakh lying with the Gratuity Trust should have been shown as current assets instead of depicting negative figure under Non-current liabilities

B.2 Contingent Liabilities : NIL

The above does not include ₹ 3021.87 lakh being the penal interest on delayed payment of dues to Central Industrial Security Force (CISF) on account of cost of deployment of CISF at HMT Chinar Watches Ltd. at Srinagar up to 4th June 2016. The Company requested for waiver of Penal interest. Pending Waiver of Penal interest by CISF, Contingent Liability for ₹ 3021.87 lakh should have been disclosed. Non-disclosure of Contingent Liability has resulted in understatement of Contingent Liabilities by ₹ 3021.87 lakh.

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

N. Munshi

(Nandana Munshi)
Director General of Commercial Audit &
Ex-Officio Member, Audit Board - II
New Delhi

Place: New Delhi
Date: 31.08.2018

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 18, 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 2018

(₹ in lakhs)

	Notes No.	As at 31-Mar-2018	As at 31-Mar-2017
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	-	-
Current assets			
Inventories	2.2	-	-
Financial assets			
i. Cash and cash equivalents	2.3	44.38	83.13
Other current assets	2.4	559.97	566.22
Non Current Assets Held for Sale	2.5	-	-
TOTAL ASSETS		**604.35**	**649.35**
EQUITY AND LIABILITIES			
Equity			
Equity Share Capital	2.6	166.01	166.01
Other Equity	2.7	(59,080.21)	(59,081.67)
Non-Current liabilities			
Financial liabilities			
i. Borrowings			
Provisions			
i. Employee Benefit obligations	2.8	(190.21)	(176.68)
Other non- current liabilities			
Current Liabilities			
Financial liabilities			
i. Borrowings			
ii. Trade and other payables			
iii. Other Financial Liabilities	2.9	59,703.21	59,703.21
Provisions			
i. Employee Benefit obligations	2.8	-	2.48
ii. Others	2.10		-
Other current liabilities	2.11	5.56	36.00
TOTAL LIABILITIES		**604.35**	**649.35**
- See accompanying notes to the financial statements	**2.21**		

As per our report of even date attached
For Subhaschandra P. Kudari & Co.,
Chartered Accountants
FRNo : 004094S

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

Mr. S. P. Kudari
Proprietor, M.No : **020513**
Place : Bangalore
Date : 04.06.2018

S.Girish Kumar
Chairman
DIN : 03385073

Shashi B Srivastava
Managing Director
DIN : 07582574

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31.03.2018

(₹ in lakhs)

	Notes No.	Year ended 31-Mar-2018	Year ended 31-Mar-2017
Continuing Operations		-	-
Discontinued Operations			
Revenue from operations	**2.12**	-	223.84
Other income	**2.13**	0.79	463.85
Total revenue		**0.79**	**687.69**
Expenses			
Cost of material consumend	**2.14**	-	122.77
Changes in inventory of work-in progress, stock-in- trade and finished goods.	**2.15**	-	352.10
Excise Duty on Sale		-	52.53
Changes in Excise Duty on Finished Goods	**2.16**	-	20.41
Employee benefit expense	**2.17**	(13.53)	(10.54)
Depreciation and amortisation expense	**2.1**	-	-
Other expense	**2.18**	12.86	59.85
Finance Cost	**2.19**	-	-
Total expenses		**(0.67)**	**597.12**
Profit/ (loss) before exceptional items and tax		1.46	90.57
Exceptional items			
Profit/ (loss) before tax		1.46	90.57
Tax expense			
a) Current tax		-	-
b) Deferred tax		-	-
Profit/ (loss) for the period from discontinued operations		1.46	90.57
Profit/ (loss) for the period		**1.46**	90.57
Other comprehensive income			
Items that will not be reclassified to profit and loss		-	-
Remeasurement Gain/(Loss) on Defined Benefit Obligations		-	0.33
Net items of OCI that will not be reclassified to profit and loss		-	0.33
Items that will be reclassified to profit or loss		-	-
Total comprehensive income for the period		**1.46**	90.90
(Profit/ loss + other comprehensive income)			

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31.03.2018

(₹ in lakhs)

	Notes No.	Year ended 31-Mar-2018	Year ended 31-Mar-2017
Earnings per equity share (for continuing operations)			
a) Basic			
b) Diluted			
Earnings per equity share (for discontinued operations)		**2.20**	
a) Basic		**0.09**	5.46
b) Diluted		**0.09**	5.46
Earnings per equity share (for discontinued & continuing operations)			
a) Basic		**0.09**	5.46
b) Diluted		**0.09**	5.46
See accompanying notes to the financial statements		**2.21**	

As per our report of even date attached
For Subhaschandra P. Kudari & Co.,
Chartered Accountants
FRNo : 004094S

Mr. S. P. Kudari
Proprietor, M.No : 020513
Place : Bangalore
Date : 04.06.2018

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

S.Girish Kumar
Chairman
DIN : 03385073

Shashi B Srivastava
Managing Director
DIN : 07582574

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2018

(₹ in lakhs)

	Amount	31-Mar-2018	Amount	31-Mar 2017
Cash Flow from Operating activities:				
Operating Profit before Working capital Changes		**1.46**	-	90.90
Adjustments For:				
Non Cash Items				
Gain/Loss on sale of Property, Plant and Equipment			(172.51)	
Deferred Tax		**-**	-	(172.51)
Increase/Decrease in Current assets				
Trade Receivables			(384.65)	-
Other Current Assets	6.25	**6.25**	250.70	(133.95)
Increase/Decrease in Current liabilities				
Trade Payables	-		-	
Other Current Liabilities	(30.45)	**(30.45)**	(3,047.22)	(3,047.22)
VRS Compensation				
Short term provision		**(2.48)**		
Long term provision		**(13.53)**		(12.63)
Cash Flow From Operating Activities		**(38.75)**		**(3,275.41)**
Net Cash Flow From Operating Activities(A)		**(38.75)**		**(3,275.41)**
Cash Flow From Investing Activities:				
Proceeds from sale of Proeprty, Plant and Equipment	**-**		254.91	
Net Cash Flow From Investing Activities (B)		**-**		**254.91**
Cash Flow From Financing Activities				
Issuance of equity shares	-			
Proceeds from long term borrowings	-	-	285.00	285.00
Interest Payment	-			
Net Cash From Financing Activities (C)		**-**		**285.00**
Net Increase/Decrease in Cash & Cash Equivalents (A+B+C)		**(38.75)**		**(2,735.50)**
Opening Cash & Cash Equivalents		**83.13**		**2,818.63**
Closing Cash and Cash Equivalents as at 31st March		**44.38**		**83.13**

Note : This cashflow statement is prepated in indirect method, as set out in Ind As -7, Companies (Accounting Standard) Rules 2006.

As per our report of even date attached
For Subhaschandra P. Kudari & Co.,
Chartered Accountants
FRNo : 004094S

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

Mr. S. P. Kudari
Proprietor, M.No : 020513
Place : Bangalore
Date : 04.06.2018

S.Girish Kumar
Chairman
DIN : 03385073

Shashi B Srivastava
Managing Director
DIN : 07582574

2.1 PROPERTY, PLANT AND EQUIPMENT

(Rs. in lakhs)

	Factory Building	General Building	Roads Walls & Fencing	Electric installations	Plant Machinery	AC Ventilation	Factory Equipment	Computer & Data processing equipment	Furniture Fixture & other appliance	Measuring & other equipment	Transport Vechicles	Total
Cost or valuation												
At 1 April 2015	94.73	162.28	12.79	50.53	693.55	41.94	55.18	14.18	26.89	38.65	23.68	**1,214.40**
Additions												**-**
Disposals					(79.60)							**(79.60)**
Assets Held for Sale	(94.73)	(162.28)	(12.79)	(50.53)	(613.95)	(41.94)	(55.18)	(14.18)	(26.89)	(38.65)	(23.68)	**(1,134.80)**
At 31 March 2016	-	-	-	-	-	-	-	-	-	-	-	-
At 1 April 2015	91.04	101.44	12.78	48.35	640.83	41.93	54.63	14.19	26.88	38.64	23.10	**1,093.81**
Depreciation charge for the year												-
Disposals					(41.41)							**(41.41)**
Assets Held for Sale	(91.04)	(101.44)	(12.78)	(48.35)	(599.42)	(41.93)	(54.63)	(14.19)	(26.88)	(38.64)	(23.10)	**(1052.40)**
At 31 March 2016	-	-	-	-	-	-	-	-	-	-	-	-
Net book value												
At 31 March 2016	-	-	-	-	-	-	-	-	-	-	-	-
At 1 April 2015	**3.69**	**60.84**	**0.01**	**2.18**	**52.72**	**0.01**	**0.55**	**(0.01)**	**0.01**	**0.01**	**0.58**	**120.59**
	31/03/2018	**31/03/2017**	**31/03/2016**	**01/04/2015**								
Net book value	**Amount**	**Amount**	**Amount**	**Amount**								
Plant Property and Equipment	0.00	0.00	0.00	120.59								

NOTES ON FINANCIAL STATEMENTS

(Rs. in lakhs)

		For the years ended 31.03.2018 Amount in Rs.	For the years ended 31.03.2017 Amount in Rs.
2.2	**Inventories**		
	Raw Materials	-	-
	Work-in-progress	-	-
	Finished Goods	-	-
	Stores and Spares	-	-
	Traded Goods	-	-
	Less: Provisions	-	-
	Total	-	-
2.3	**CASH AND CASH EQUIVALENTS**		
	Balances with banks		
	- Current Account	44.19	82.94
	Deposit with banks	0.19	0.19
	Cash/Cheques on hand	-	-
	Total	**44.38**	**83.13**
2.4	**OTHER CURRENT ASSETS**		
	Advances to fellow Subsidiary Companies		
	HMT Machine Tools Ltd.	181.85	182.27
	HMT Watches Ltd.	357.13	359.18
	HMT Ltd.	20.07	21.75
		559.05	**563.20**
	Advances other than Capital advances		
	Advances recoverable in cash or in kind		
	Secured Considered good	-	-
	Unsecured, considered good	0.02	2.12
	Doubtful	-	-
	Less: Allowance for doubtful Debts	-	-
		0.02	**2.12**
	Withholding of taxes and tax receivables	0.89	0.89
		0.89	**0.89**
	Total	**559.97**	**566.22**
2.5	**Non Current Assets Held for Sale**		
	Factory Building	-	-
	General Building	-	-
	Roads, Walls & Fencing	-	-
	Electric installations	-	-
	Plant & Machinery	-	-
	A. C Ventilation	-	-
	Factory Equipment	-	-
	Computer & Data processing equipment	-	-
	Furniture , Fixture & other appliances.	-	-
	Measuring & other Equipment	-	-
	Transport Vehicles	-	-
	Total	**-**	**-**

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2018

(₹ in lakhs)

	As at 31-Mar-2018	As at 31-Mar-2017

Statement of changes in equity as on 31st March 2018

2.6 Share capital

Authorised share capital
Equity Shares

	Number	Amount
At 1 April 2016	20,00,000	200.00
Increase/(decrease) during the year	0	0.00
At 31 March 2017	**20,00,000**	**200.00**
Increase/(decrease) during the year	0	0.00
At 31 March 2018	**20,00,000**	**200.00**

Issued Capital

	Equity shares of INR 10 each issued and fully paid	
	Number	**Amount**
At 1 April 2016	**16,60,100**	**166.01**
Increase/(decrease) during the year	**0**	0.00
At 31 March 2017	**16,60,100**	**166.01**
Increase/(decrease) during the year	0	0.00
At 31 March 2018	**16,60,100**	**166.01**

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 Share Holder	No of Shares	% holding	No of Shares	% holding
Equity shares of INR *10 each fully paid*				
HMT Limited	16,60,100	100.00%	16,60,100	100.00%

Statement of Changes in Equity

2.6 A. Equity Share Capital

Balance at the beginning of the reporting period 1st April 2016	Changes in equity share capital during the year 2016-17	Balance at the end of the reporting period 31st March 2017	Changes in equity share capital during the year 2017-18	Balance at the end of the reporting period 31st March 2018
16601000	Nill	16601000	Nill	16601000

2.7 B. Other Equity

	Reserves Surplus				Other Comprehensive Income			
	Capital Reserve	Retained earnings	General Reserve	FVTOCI Reserve	Discontinued operations	Equity Instruments through other comprehensive income	Other items of other Comprehensive Income	Total equity attributable to equity holders of the co.
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Balance as of 1st April 2016	-	(58,388.31)	-	-	(1.241.98)	-	457.72	(59,172.57)
Changes in accounting policy or prior period errors								-
Restated Balance as of 1st April 2016	**-**	**(58,388.31)**	**-**	**-**	(1,241.98)	**-**	**457.72**	**(59,172.57)**
Discontinued operations					90.57			90.57
Remeasurement of the net defined benefit liability/asset, net of tax effect							0.33	0.33
Total Comprehensive income for the year								
At 31 March 2017	**-**	**(58,388.31)**	**-**	**-**	**(1,151,41)**	**-**	**458.04**	**(59,081.67)**

Other Equity

	Reserves Surplus				Other Comprehensive Income			
	Capital Reserve	Retained earnings	General Reserve	FVTOCI Reserve	Discontinued operations	Equity Instruments through other comprehensive income	Other items of other Comprehensive Income	Total equity attributable to equity holders of the co.
Balance as of 1st April 2017	-	(58,388.31)	-	-	(1,151.41)	-	458.04	(59,081.67)
Changes in accounting policy or prior period errors								
Restated Balance as of 1st April 2017	**-**	(58388.31)	**-**	**-**	(1151.41)	**-**	**458.01**	**(59081.67**
Discontinued operations					1.46		-	1.46
Remeasurement of the net defined benefit liability/asset, net of tax effect								0.33
Total Comprehensive income for the year								-
At 31 March 2018	**-**	**(58,388.31)**	**-**	**-**	**(1,149.95)**	**-**	**458.04**	**(59,080.21)**

As per our report of even date attached
For Subhaschandra P. Kudari & Co.,
Chartered Accountants
FRNo : 004094S

Mr. S. P. Kudari
Proprietor, M.No : 020513

Place : Bangalore
Date : 04.06.2018:

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

S.Girish Kumar
Chairman
DIN : 03385073

Shashi B Srivastava
Managing Director
DIN : 07582574

NOTES ON FINANCIAL STATEMENTS

(Rs. in lakhs)

		For the years ended 31.03.2018 Amount in Rs.	For the years ended 31.03.2017 Amount in Rs.
2.8	**i. Employee Benefit obligations**		
	A Non Current		
	Gratuity	(190.21)	(176.68)
	Settlement Allowance		
	Leave Encashment	**(190.21)**	**(176.68)**
	B Current		
	Gratuity	-	-
	Leave Encashment	-	-
	Settlement Allowance		-
	Arrear salaries and bonus	-	2.48
		-	**2.48**
	Total	**(190.21)**	**(174.20)**
2.9	**OTHER FINANCIAL LIABILITIES**		
	Current Maturities of Long Term Debt		
	GOI Loan Defaulted		
	Interest accrued and due on borrowings		
	Holding company Loans		
	GOI Liability to be written off	59,703.21	59,703.21
	Total	**59,703.21**	**59,703.21**
2.10	**Provisions**		
	Provision for Warranty Claims		**-**
	Opening		
	Additions		
	Utilised		
	Withdrawn		
		-	**-**
	Provision for Misc. Exp		
	Opening	-	3.13
	Additions		
	Utilised		
	Withdrawn	-	(3.13)
		-	**-**
	Total	**-**	**-**
2.11	**OTHER CURRENT LIABILITIES**		
	Dues to HMT Ltd		
	Statutory Liability - TDS and TCS	0.38	0.44
	Dues to other creditors	5.18	24.42

NOTES ON FINANCIAL STATEMENTS

(Rs. in lakhs)

		For the years ended 31.03.2018 Amount in Rs.	For the years ended 31.03.2017 Amount in Rs.
	Employees contribution payable to SPF	-	-
	Co's contribution payable to SPF	-	-
	VAT/ CST payable	(0.00)	11.14
	Gratuity payable	-	-
	Earned Leave Encashment payable	-	-
	Misc. advance to employees (Death Relief Payable)	-	-
	VRS Compensation	-	-
	Salaries and Wages	-	-
	Excise Duty provision on closing stock of Finished Goods	-	-
	Other Liabilities	-	-
	Total	**5.56**	**36.00**
2.12	**REVENUE FROM OPERATIONS**		
	Sale of Watches	-	223.84
	Total	**-**	**223.84**
2.13	**OTHER INCOME**		
	Interest received on Fixed Deposits	-	8.98
	Net gain/(Loss) on sale of Property, Plant and Equipment	-	172.51
	Rent Recovery	0.76	0.49
	Miscellaneous Income	0.01	3.41
	Provisions No Longer Required	0.01	278.46
	Total	**0.79**	**463.85**
2.14	**Cost of material consumend**		
	A. Raw material		
	Inventory at the beginning of the year	-	22.45
	Add: Purchases	-	-
	Inventory at the end of the year	-	-
		-	22.45
	B. Stores, Spares and Other Component Consumed		
	Inventory at the beginning of the year	-	100.32
	Add: Purchases		
	Inventory at the end of the year	-	-
		-	100.32
	Total	**-**	**122.77**

NOTES ON FINANCIAL STATEMENTS FO THE YEAR ENDED

(Rs. in lakhs)

		For the year ended 31.03.2018 Amount in Rs.	For the year ended 31.03.2017 Amount in Rs.
2.15	**Changes in inventory of work-in progress, stock-in- trade and finished goods.**		
	Changes in Finished Goods		
	Opening	-	144.74
	Closing		
		-	**144.74**
	Changes in Work in Progress		
	Opening	-	207.36
	Closing		
		-	**207.36**
	Total [A + B]	**-**	**352.10**
2.16	**Changes in Excise duty on inventory**		
	Changes in Finished Goods		
	Opening	-	20.41
	Closing	-	
	Total [A + B]	**-**	**20.41**
2.17	**EMPLOYEE BENEFIT EXPENSES**		
	Salaries and Wages	-	-
	Provident Fund Contribution	-	-
	PF Trust expenses	-	0.50
	Gratuity	(13.53)	(12.30)
	Staff Welfare Expenses	-	1.26
	Total	**(13.53)**	**(10.54)**
2.18	**OTHER EXPENSES**		
	Office Rent	-	9.84
	Water and Electricity	-	0.89
	Insurance	-	2.50
	Rates and Taxes	-	0.08
	Travelling Expenses & Conveyance Allowance	2.14	2.66
	Printing and Stationary Expenses	0.37	0.79
	Power & Fuel	-	-
	Auditors Remuneration #	0.20	0.95
	Advertisement & publication	0.01	0.33

NOTES ON FINANCIAL STATEMENTS FO THE YEAR ENDED

(Rs. in lakhs)

	For the year ended 31.03.2018 Amount in Rs.	For the year ended 31.03.2017 Amount in Rs.
Repairs and Maintenance	-	0.07
Miscellaneous Expenses	6.46	10.48
Carriage outwards		3.99
Legal Expenses & Professional Charges	1.29	5.45
Postage and telephone expenses	0.02	0.05
MSTC Service Charges	-	6.53
Entertainment expenses	-	-
Books and periodicals	-	-
Petrol oil & lubricants	-	-
Internal Audit Fee	0.12	-
ROC Filling fees	0.11	-
EL Encashment Exp.	0.99	
Security Charges (CISF)	-	-
Technical Assistance Fee	-	-
Warranty Claims	-	-
Sales and Distribution Expenses	-	-
Sales Commission	-	-
Casual Employees	1.12	15.22
Bank charges	0.03	0.02
Provision for Non Moving Inventories	-	-
Total	**12.86**	**59.85**
# Break up of Audit Fees		
For Statutory Audit	0.20	0.79
Out of Pocket Expense	0	0.16

2.19 Finance Cost

Interest on cash credit	-	-
Interest on holding company	-	-
Interest on loan from GOI	-	-
Total	-	-

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2018

(₹ in lakhs)

	31 Mar 2018 INR Lacs	31 Mar 2017 INR Lacs
2.20. Earnings per share (EPS)		
Profit attributable to equity holders:		
Continuing operations		
Discontinued operation	1.46	90.57
Profit attributable to equity holders for basic earnings	**1.46**	**90.57**
Interest on convertible preference shares	0.00	0.00
Profit attributable to equity holders of the parent adjusted for the effect of dilution	**1.46**	**90.57**
Weighted average number of Equity shares for basic EPS*	16,60,100	16,60,100
Effect of dilution:		
Convertible preference shares		
Weighted average number of Equity shares adjusted for the effect of dilution *	**16,60,100**	**16,60,100**
EPS	**0.09**	**5.46**

* 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.

2.21 The principal assumptions used in determining gratuity and post-employement benefits obligations for the company's plan is shown below

	31-Mar-18 %	31-Mar-17 %
Discount rate:		
Gratuity plan	7.50	7.50
Settlement Allowance	NA	NA
Future salary increases:		
Gratuity plan	7.00	7.00
Settlement Allowance	NA	NA

Summary of Demographic Assumptions	Gratuity Plan		Settlement Allowance	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
Mortality Rate (as % of IALM (2006-08) (Mod.) Ult. Mortality Table)	100%	100%	NA	NA
Disability Rate (as % of above mortality rate)	5%	5%	NA	NA
Withdrawal Rate	1% to 3%	1% to 3%	NA	NA
Attrition Rate Normal Retirement Age	58yrs	58yrs	NA	NA
Average Future Service	NA	NA	NA	NA

2.21 Employee 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.

A. Gratuity

31 March 2018 changes in the defined benefit obligation and fair value of plan assets

		Gratuity Cost charged to profit or loss			Remeasurement gains/(losses) in other comprehensive income								
	01-Apr-17	Service Cost	Net interest expense	Sub-total included in profit / loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Re measurement due to asset ceiling/ Onerous Liability (excluding interest income)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31-Mar-18
	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs
Defined benefit obligation	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair Value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Asset Ceiling	(176.68)	-	(13.53)	(13.53)	-	-	-	-	-	-	-	-	(190.21)
Benefit Liability	**(176.68)**	**-**	**(13.53)**	**(13.53)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(190.21)**

31 March 2017 changes in the defined benefit obligation and fair value of plan assets

		Gratuity Cost charged to profit or loss			Remeasurement gains/(losses) in other comprehensive income								
	01-Apr-16	Service Cost	Net interest expense	Sub-total included in profit / loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Re measurement due to asset ceiling/ Onerous Liability (excluding interest income)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31-Mar-17
	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs	INR Lacs
Defined benefit obligation	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair Value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Asset Ceiling	(164.05)	-	(12.30)	(12.30)	-	-	(0.33)	-	-	-	(0.33)	-	(176.68)
Benefit Liability	**(164.05)**	**-**	**(12.30)**	**(12.30)**	**-**	**-**	**(0.33)**	**-**	**-**	**-**	**(0.33)**	**-**	**(176.68)**