

**Form No. MR-3****Secretarial Audit Report for the financial year ended 31st March 2020**

**[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]**

To

**The Members****M/s. HMT Machine Tools Limited****(CIN: U0292KA1999GOI025572)****HMT Bhavan, 59, Bellary Road,  
Bangalore – 560032**

I have conducted the Secretarial Audit of the compliances of applicable statutory provisions and the adherence to good corporate practices by M/s. HMT Machine Tools Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conduct/statutory compliances and expressing my opinion thereon.

The Company is a Government Company and a Central Public Sector Enterprise (CPSE). It is a wholly owned subsidiary of HMT Limited (a listed Government Company and CPSE). The Company is engaged in manufacture, sale and servicing of Machine Tools.

**Management's Responsibility for Secretarial Compliances:**

The Company's Management is responsible for preparation and maintenance of secretarial records and for devising proper systems to ensure compliance with the provisions of applicable laws and regulations.

**Auditor's Responsibility:**

My responsibility is to express an opinion on the secretarial records, standards and procedures followed by the Company with respect to secretarial compliances. I believe that audit evidence and information obtained from the Company's management is adequate and appropriate for me to provide a basis for my opinion. Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and read with the Statutory Auditors' Report on Financial Statements and Compliance

of the conditions of Corporate Governance and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion and to the best of my information, knowledge and belief and according to the explanations given to me, the Company has, during the audit period covering the financial year ended on 31st March 2020 (Audit Period) generally complied with the applicable statutory provisions listed hereunder and also that the Company has proper Board - processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by M/s. HMT Machine Tools Limited for the financial year ended on 31st March 2020 according to the provisions of:

1. The Companies Act, 2013 and the Rules made thereunder;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
3. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings to the extent applicable to the Company - **There were no FDI, ODI or ECB transaction in the company during the year under review.**
4. The provisions of the Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder **are not applicable to the Company.**
5. The provisions of the Securities and Exchange Board of India Act, 1992 ('SEBI Act') and the regulations and guidelines prescribed thereunder **are not applicable to the Company.**

I have also examined compliance with the applicable clauses of the following:

- a. Secretarial Standards with respect to Board and General Meetings issued by The Institute of Company Secretaries of India.

During the year under review, the Company has complied with the provisions of the aforementioned Acts, Rules, Regulations and applicable clauses of the Secretarial Standards with respect to Board and General Meetings issued by The Institute of Company Secretaries of India, subject to the following observations:

### 1. Appointment of Independent Directors

- a. As per the provisions of Section 149 (4), "Central Government may prescribe the minimum Number of Independent Directors" In the case of companies other than listed companies.
- b. As per Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014, "Number of Independent directors. - [(1)] The following class or classes of companies shall have at least two directors as independent directors -
  - (i) the Public Companies having paid up share capital of ten crore rupees or more; or
  - (ii) the Public Companies having turnover of one hundred crore rupees or more; or
  - (iii) the Public Companies which have, in aggregate, outstanding loans, debentures and deposits, exceeding fifty crore rupees:
- c. As per Rule 4 (2), introduced vide Notification No. G.S.R. 839(E) dated 5th July, 2017.

"The following classes of unlisted public company shall not be covered under sub-rule (1), namely: -

- (a) a joint venture;
- (b) a wholly owned subsidiary; and
- (c) a dormant company as defined under section 455 of the Act"
- d. As per SEBI Regulations, a listed entity like HMT Limited is required to appoint atleast one

Independent Director on the Board of its Material Subsidiary.

Therefore, the Board of the Company have continued to appoint one Independent Director as advised by the Holding Company and Government of India, Ministry of Heavy Industries and Public Enterprise. The term of office of Shri. Raj Kumar as Independent Director ended on 20.06.2019. In his place, the Govt of India and HMT Limited (Listed Holding Company) appointed Smt. Gaddam Vijaya Sunitha Reddy as Independent cum Additional Director with effect from 27.01.2020. As per Proviso under Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended, "Any intermittent vacancy of an Independent Director shall be filled-up by the Board at the earliest but not later than immediate next Board meeting or three months from the date of such vacancy, whichever is later." There was a delay of more than 3 months in filling up the intermittent vacancy of an Independent Director. The Company explained that all appointment of Directors, including appointment of Independent Director, are made after receipt of written orders from the Govt. of India. The delay in appointment of Independent Auditor occurred due to delay in receipt of written orders from the Govt. of India

### 2. The Company has appointed/designated Mr. Harikumar Mahadevan as a regular Chief Financial Officer and Key Managerial Personnel with effect from 15<sup>th</sup> May 2019, as required under the provisions of Section 203 of the Companies Act, 2013.

I further Report that, having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, on test-check basis, the Company has complied with the following laws, rules and regulations as applicable to the Company:

- Department of Public Enterprises Guidelines
- Guidelines issued by Ministry of Heavy Industries & Public Enterprises
- Orders/ Regulations issued by the Government of India from time to time.

### 3. Discrepancy in the Authorized Capital

The Independent Director pointed out that in the

Balance Sheet as at 31.03.2019, the authorized capital was shown as Rs. 355 Crores as against Rs. 800 Crores.

**The Company clarified as follows: -**

“There is no reduction in Authorized Capital. Company re-classified Preference Shares as Financial Liability in order to comply with new Ind AS and Authorized Capital was shown as Rs. 355 Crores (excluding Preference Shares) in Annual Accounts as advised by the Consultant appointed for implementation of Ind AS. As per the discussion with Statutory Auditor, Authorized Capital will remain as Rs. 800 Crores only. As Statutory Auditor has already mentioned the same in Emphasis of Matter (Copy enclosed with copy of financials for the year 2019-20), Company will take necessary action during FY 2020-21 as observed”

I further report that:

- a. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Director and Women Director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- b. Adequate notice was given to all the directors to schedule the Board Meetings, agenda and

detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

- c. Decisions at the Board Meetings, as represented by the management, were taken unanimously.

I further report that as represented by the Company and relied upon by me there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with the following applicable other Laws and Rules, Regulations and Guidelines issued thereunder:

I further report that during the audit period, the following specific events/ actions having a major bearing on the Company's affairs took place: -

- (i) Public/Right/Preferential issue of shares / debentures /sweatequity, etc. - **NIL**
- (ii) Redemption / buy-back of securities - **NIL**
- (iii) Major decisions taken by the members in pursuance to section 180 of the Companies Act, 2013.
- (iv) Merger / amalgamation / reconstruction, etc.
- (v) Foreign technical collaborations - **NIL**

**S. VISWANATHAN**

**Company Secretary**

**C.P.NO. 5284**

**ACS NO: 5284**

**UDIN: A005284B000673963**

**Place: Bangalore**

**Date: 11.09.2020**

**This Report is to be read along with my letter of even date which is annexed as Annexure A and Forms an integral part of this report.**

**“Annexure A”**
**To The Members**

**M/s. HMT Machine Tools Limited,  
(CIN: U0292KA1999GOI025572)  
HMT Bhavan, 59, Bellary Road, Bangalore – 560032**

My report of even date is to be read along with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records.  
The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards are the responsibility of the management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

**S. VISWANATHAN**  
**Company Secretary**  
**C.P.NO. 5284**  
**ACS NO: 5284**  
**UDIN: A005284B000673963**

**Place: Bangalore**

**Date: 11.09.2020**

**ADDENDUM TO SECRETARIAL AUDIT REPORT FOR THE YEAR 2019-20 IN RESPECT OF OBSERVATIONS MADE BY SECRETARIAL AUDITOR ON THE SECRETARIAL AUDIT OF HMT MACHINE TOOLS LIMITED FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2020.**

Secretarial Auditors' Observation	Company's Reply
There was a delay of more than 3 months in filing up the intermittent vacancy of an Independent director	All appointment of Directors, including appointment of Independent Director, are made after receipt of written orders from the Govt. of India. The delay in appointment of Independent Director occurred due to delay in receipt of written orders from the Govt. of India.
The Company has appointed/designated Mr. Harikumar Mahadevan as a regular Chief Financial Officer and Key Managerial Personnel with effect from 15th May 2019, as required under the provisions of Section 203 of the Companies Act, 2013.	Head of Finance at Directorate is holding the responsibility of CFO of the Company. Shri Harikumar M. has been appointed as Chief Financial Officer of the Company w.e.f. 15th May 2019 in accordance with the provisions of section 203 of the Companies Act, 2013.
The Independent Director pointed out that in the Balance Sheet as at 31.03.2019, the authorized capital was shown as Rs. 355 Crores as against Rs. 800 Crores.	There is no reduction in Authorized Capital. Company re-classified Preference Shares as Financial Liability in order to comply with new Ind AS and Company will take necessary action during FY 2020-21 as observed”

**Place: Bengaluru**

**Date: 28th September 2020**

**(S. Girish Kumar)**  
**Managing Director**