

**FORM No. MR-3**  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2023**

**[Pursuant to Section 204(1) of the Companies Act, 2013 and rule No. 9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]**

**To,**  
**The Members,**  
**HMT Machine Tools Limited**  
**No.59, Bellary Road**  
**Bangalore - 560032**

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by HMT Machine Tools Limited having CIN: U02922KA1999GOI025572 (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided to us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion there on.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2023 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner as applicable to it and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2023, according to the provisions of:

- I. The Companies Act, 2013 (the Act) and the rules made there under;
- II. There were no occasions needing compliance under the Depositories Act, 1996 and the Regulations and Bye-laws framed there under; hence no comments have been provided.
- III. There were no transactions covering the Foreign Exchange Management Act, 1999 and the rules and regulations made there under.

We further report that, based on the guidelines issued by the Institute of Company Secretaries of India ('the ICSI') and as per the information provided by the Company as to the applicability of the Industry Specific Laws, the relevant records maintained by them, the Company has generally complied with the provisions of the following Industry specific laws / Guidelines to the extent applicable:

**Industry Specific Laws**

- (a) The Factories Act, 1948
- (b) Intellectual Property Laws
- (c) Trade Marks Act, 1999
- (d) The Patents Act, 1970
- (e) Indian Copyright Act, 1957 and Copyright Rules 1957
- (f) The Design Act, 2000
- (g) Environment (Protection) Act, 1986

**General Laws**

- a) Industrial and Labour laws, as applicable to the Company such as:
  - i. Maternity Benefit Act, 1961 (applicable to Woman Employees who are outside the preview of the ESI Act)
  - ii. The Contract Labour (Regulation and Abolition) Act, 1970
  - iii. Payment of Wages Act, 1936
  - iv. Workmen's Compensation Act, 1923.
  - v. The Equal Remuneration Act, 1976
  - vi. Employees Liabilities Act, 1938
  - vii. The Employees Provident Fund and Miscellaneous Act, 1952
  - viii. Fatal Accidents Act, 1855
  - ix. The building and other Construction Workers Act, 1996
- b) Indian Boilers Act, 1923
- c) Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013
- d) Indian Contract Act, 1872
- e) Transfer of Property Act, 1882
- f) The RTI Act, 2005
- g) Disaster Management Act, 2005 (During Covid-2019 time)
- h) Legal Metrology Act, 2009.

We have also examined compliance with the applicable clauses of the Secretarial Standards SS-1 and SS-2 issued by the ICSI and as notified by the Ministry of Corporate Affairs and comment that they have generally complied with the said Standards.

We further report that during the said Financial Year, the Company has complied with the provisions of the Acts, Rules, Regulations, Guidelines, Standards, etc., mentioned in the foregoing paragraphs except the followings:

1. *Being a material subsidiary of a Listed Entity, there shall be at least one Independent Director of its Holding Company) on its Board under Regulation 24(1) of SEBI (LODR) Regulations 2015. The Company is yet to comply with this Regulation.*
2. *The Preference shares have been re-classified as Financial Liability. However, the Authorised Share Capital has not been shown as having Preference Shares leading to inconsistency in presentation of the Financial Statements to that extent.*

3. *During the Audit, it was observed that the Company has not made timely payment of Employees related statutory dues in several instances and as a result, defaulted the provisions under Employees' Provident Funds and Miscellaneous Provisions Act, 1952, Payment of Gratuity Act, 1972 etc. and received Notices from statutory Authorities. Besides, there are ongoing litigations with various courts of law.*

We further report that:

The Board of Directors of the Company is constituted with the proper balance of Executive Directors, Non-Executive Directors and Independent Directors appointed by the Govt. of India as mandated for the Government Companies during the period under review. 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 and filing of necessary Returns under the Act. During the financial year under review, the Independent Director, retired on 26th January 2023 and the vacancy caused has not filled till the date of this report.

We state that the provisions relating to Audit of Accounts and the related financial records including Income Tax Laws, Central Excise, Sales Tax (GST) Laws, Customs Laws etc., and other connected Rules, Regulations, Orders, Circulars and Notifications have not been dealt with in any manner in our Secretarial Audit Report.

Adequate notice was given to all the Directors to schedule the Board/committee Meetings, agenda and detailed notes on agenda was 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. Sub committees of Board reconstituted during the financial year by following necessary provisions governing the same. Majority decisions were carried through by the Board at its meetings and minutes of meetings are self-explanatory with regard to dissenting member's views, if any.

We further report that the Company has developed and implemented adequate systems and processes, commensurate with its size and operations, to effectively monitor and ensure compliance with applicable laws, rules, regulations and guidelines. There are also processes and adequate procedures in place for minimizing exposure to risks which may threaten the very existence of the Company.

We further report that during the Financial Year there were no significant events/actions, having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc., except that there are subsisting court cases in respect of delay in making Statutory Payments and filing of Returns.

**For S Kedarnath & Associates**

Company Secretaries

Date: 20th July, 2023

Place: Bengaluru

UDIN : F003031E000650249

S. Kedarnath

**Company Secretary**

**C P No 4422**

**Note:** *This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.*

To,  
The Members,  
HMT Machine Tools Limited,  
No.59, Bellary Road  
Bangalore - 560032

**Annexure - A**

Our report (2022-23) of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the Management of the Company. My/our responsibility is to express an opinion on these secretarial records based on our audit.
2. I/We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of secretarial records. The verification was done on a test check basis to ensure that correct facts are reflected in the secretarial records. I believe that the processes and practices, we followed provide a reasonable basis for my opinion.
3. I/we have not verified the correctness and appropriateness of any of the financial records and Books of Accounts of the Company including the records pertaining to Goods and Service Taxes, Income Tax, Customs and other related enactments applicable to the Company.
4. Wherever required, I/we have obtained Management Representation about the compliance of laws, rules and regulations and happening of events etc.
5. 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.

**For S Kedarnath & Associates**

Company Secretaries

Date: 20th July, 2023  
Place: Bengaluru  
UDIN : F003031E000650249

S. Kedarnath  
**Company Secretary**  
**C P No 4422**

## Annexure - 11

**ADDENDUM TO SECRETARIAL AUDIT REPORT FOR THE YEAR 2022-23 IN RESPECT OF OBSERVATIONS MADE BY SECRETARIAL AUDITOR ON THE SECRETARIAL AUDIT OF HMT MACHINE TOOLS LIMITED**

Ref.	SECRETARIAL AUDITORS' OBSERVATIONS	COMPANY'S REPLY
01	<b>Being a material subsidiary of a Listed Entity, there shall be at least one Independent Director of its Holding Company) on its Board under Regulation 24(1) of SEBI (LODR) Regulations 2015. The Company is yet to comply with this Regulation.</b>	The nomination and appointment of all categories of Directors are done by the Government of India in accordance with the laid down Guidelines. The subject matter of appointment of Independent director falls under the purview of the Government of India. The Administrative Ministry has been requested to appoint Directors to comply with the provisions of Companies Act 2013.
02	<b>The Preference shares have been re-classified as Financial Liability. However, the Authorised Share Capital has not been shown as having Preference Shares leading to inconsistency in presentation of the Financial Statements to that extent.</b>	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 2023-24 as observed.
03	<b>During the Audit, it was observed that the Company has not made timely payment of Employees related statutory dues in several instances and as a result, defaulted the provisions under Employees' Provident Funds and Miscellaneous Provisions Act, 1952, Payment of Gratuity Act, 1972 etc., and received Notice from statutory Authorities. Besides there are ongoing litigations with various courts of law.</b>	The company is incurring losses from several years, hence not able to make timely payment of the statutory dues as observed by the Auditors. The Company is taking all efforts to generate funds from Internal operations and address the timely payment of the statutory dues.

For and on behalf of the Board of Directors

Place: Bengaluru

Date: 06.09.2023

**(Pankaj Gupta)**

Chairman &amp; Managing Director

(Addl. Charge)

DIN : 09716028