

HMC MM Auto Limited

CIN – U35923DL2013PLC260142

Regd Office: 34, Community Centre, Basant Lok, Vasant Vihar, New Delhi-110057.

Tel: +91 11 46044100, 26142451

DIRECTORS' REPORT

Dear Members,

We, the Directors of HMC MM Auto Limited (Company), present the 1st Annual Report for the financial year 2013-14. The Report is being presented along with the Audited Statement of Accounts for the financial year ended March 31, 2014, the first year since its incorporation. The summarized financial results for the year ended 31st March, 2014 are as under:

FINANCIAL RESULTS

(Rs.)

Particulars	For the period November 11, 2013 to March 31, 2014
Gross Sales	-
Net Sales and other Income	-
Profit before Finance Costs & Depreciation	-87,88,733
Less: Finance Cost	
Depreciation	-34,870
Profit before tax (PBT)	-88,23,603
Less: Provision for tax	
- Current	-
- Deferred	-
- Minimum Alternate Tax Credit	-
Profit after tax (PAT)	-88,23,603
Add: Balance of profit brought forward	-
Balance available for appropriation	-
Appropriations	-
Dividend	-
- Proposed Final	
Corporate Dividend Tax	-
Transfer to General Reserve	-
Balance carried to Balance Sheet	-88,23,603
Dividend (%)	-
Basic and Diluted Earnings Per Share (EPS)(Rs.)	
- before exceptional items	
- after exceptional items	-4

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BACKGROUND

The Company is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on November 11, 2013. The accounts have been prepared for a period 11th November 2013 till 31st March 2014.

OPERATIONS

The Company is yet to start its commercial operations.

ALLIANCES

The Company is a joint venture between Hero MotoCorp Limited (holding approx. 60% share), and Magnetti Marelli S.p.A. (holding approx. 40% share). The Company is set up with the objective to design, develop, manufacture, distribute, assemble, buy, sell electronic fuel injection systems and related components and sub-assemblies.

Magnetti Marelli S.p.A will provide the Company technical licensed know how to develop technology & design capabilities and roll out a product line-up for electronic fuel injection systems and related components.

CAPITAL

The Authorised Share Capital of the Company is Rs. 50,00,00,000 (Rupees Fifty Crores only) comprising of 5,00,00,000 (Five Crore) equity shares, of Rupees Ten (Rs.10) each. As on 31st March, 2014 the paid up capital of the Company is Rs 3,00,00,000 (Rupees Three Crores) comprising of 30,00,000 (Thirty Lacs) equity shares of Rupees Ten (Rs. 10) each.

DIVIDEND

As the Company is in its infancy stage and has not commenced its commercial operations and did not generate any revenue, the Directors express their inability to recommend any dividend.

TRANSFER TO GENERAL RESERVE

As there were no profits during the financial year 2013 -14 hence no amount was transferred to the General Reserve.

BOARD OF DIRECTORS

In terms of the provisions of the Companies Act, 1956 & the Articles of Association of the Company, Mr. Ravi Sud (DIN: 000074720), Mr. Vikram Sitaram Kasbekar (DIN: 00985182) and Mr. Vijay Sethi (DIN: 06652808) were appointed as the First Directors of the Company on its incorporation.

Further, the Board of Directors appointed Mr. Piero Toselli (DIN: 05247470), Mr. Saju Mookken (DIN: 01644940) and Gen. (Retd) V. P. Malik (DIN: 00006628) as the Additional Directors of the Company as per the provisions of Section 260 of the Companies Act, 1956. Mr. Saju Mookken and Mr. Piero Toselli were appointed as Non-Executive directors in the Company and Gen (Retd) V.P Malik was appointed in the capacity of an independent

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director. They shall hold office upto the date of the ensuing Annual General Meeting. Further the Company has received a notice under Section 257 of the Companies Act, 1956 proposing their candidatures as the Directors of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956, which is to the best of their knowledge and belief and according to the information and explanations obtained by them:

1. that in the preparation of the annual accounts for the year ended March 31, 2014, the applicable accounting standards have been followed;
2. that appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs as at March 31, 2014 and of the profit of the Company for the financial year ended March 31, 2014;
3. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. that the annual accounts for the year ended March 31, 2014 have been prepared on a going concern basis.

FIXED DEPOSITS

During the year under review, the Company has not accepted any deposit under Section 58A and 58AA of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

AUDITORS

As per provisions of Companies Act 1956, M/s Deloitte Haskins & Sells, Chartered Accountants, Gurgaon were appointed as First Auditors and being eligible offers themselves for re-appointment.

As per the provisions of Sec 139 of the Companies Act 2013 and the Articles of Association of the Company the Board recommends their appointment for a period of four years.

AUDITORS' REPORT

The observations of Auditors in their Report, read with the relevant notes to accounts are self-explanatory and therefore do not require further explanation.

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PARTICULARS OF EMPLOYEES

Information of Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956 read with The Companies (Particulars of Employees) Rules, 1975 forms an integral part of this Report. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the members of the Company excluding the statement of Particulars of Employees under Section 217(2A) of the Companies Act, 1956. Any member interested in obtaining a copy of such statement may write to the Mr. Ravi Sud, Director of the Company at the Registered Office of the Company.

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

The requirement of disclosure, in terms of section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of the Particulars in the report of the Board of Directors) Rules, 1988 relating to the steps taken for conservation of energy or technology absorption is not applicable to the Company as the Company does not own any manufacturing facility.

There is no foreign exchange earnings inflow during the year under review. During the same period, there was a foreign exchange outgo equivalent to Rs. 14,18,000/-.

OUTSTANDING DUES TO SMALL SCALE INDUSTRIES

The company has no outstanding dues to small-scale industries. Hence, there is no disclosure of the same in the Balance Sheet.

ACKNOWLEDGEMENT

Your Directors acknowledge with sincere gratitude the co-operation and assistance extended by the Central Government, State Government(s), Financial Institution(s), Bank(s), Customers, Dealers, Vendors and Ancillary Undertakings.

The Board also takes this opportunity to express its deep gratitude for the continued co-operation and support received from its valued shareholders.

For and on behalf of the Board

Gen (Retd.) V.P Malik
(DIN: 00006628)
Chairman
New Delhi
April 21, 2014

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
HMC MM AUTO LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of **HMC MM AUTO LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the period 11th November, 2013 to 31st March, 2014 and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for 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 in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, 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.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HMC MM AUTO LIMITED

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We have audited the accompanying financial statements of **HMC MM AUTO LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the period 11th November, 2013 to 31st March, 2014 and a summary of the significant accounting policies and other explanatory information.

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Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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.

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



Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements 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 31st March, 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss of the Company for the period 11th November, 2013 to 31st March, 2014 ; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the period 11th November, 2013 to 31st March, 2014.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (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.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs).
 - (e) On the basis of the written representations received from the directors as on 31st March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm Registration No. 015125N)



Vijay Agarwal
(Partner)
(Membership No. 094468)

Place : NEW DELHI
Date : 21 APR 2014



ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Having regard to the nature of the Company's business/activities/result, clauses 4 (ii), (viii) and (xiii) of Companies (Auditor's Report) Order, 2003 (hereinafter referred to as the Order / CARO) are not applicable.

- (i) In respect of its fixed assets :
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The fixed assets were physically verified during the period by the Management in accordance with a regular programme of verification which, in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
 - (c) The Company has not disposed of any fixed assets during the period.
- (ii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (iii) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of fixed assets. There is no purchase of inventory and sale of goods and services during the period. During the course of our audit, we have not observed any major weakness in such internal control system.
- (iv) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered in the Register maintained under section 301 of the Companies Act, 1956.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the period within the meaning of section 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder. Accordingly, paragraph 4(vi) of the Order is not applicable.
- (vi) The Company is an unlisted public limited company and the monetary limits of paid-up capital or average annual turnover are lower than the limits prescribed under the clause, accordingly paragraph 4(vii) of the Order is not applicable.



Deloitte Haskins & Sells

- (vii) According to the information and explanations given to us, in respect of statutory dues:
- (a) The Company has been regular in depositing undisputed statutory dues including Income-tax, Service tax and other material statutory dues applicable to it with appropriate authorities. We are informed that the provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952 and Employees State Insurance Act, 1948 are not applicable to the Company and the operations of the Company during the period did not give rise to any Investor Education and Protection fund, Wealth tax, Sales tax and Excise duty.
 - (b) There were no undisputed amounts payable in respect of Income tax, Wealth tax, Customs duty, Excise duty, Cess and other material statutory dues in arrears as at March 31, 2014 for a period of more than six months from the date they became payable.
 - (c) There are no disputed dues in respect of Income-tax, Wealth tax, Customs duty, Excise duty, Sales tax, Service tax and Cess, which have not been deposited as at March 31, 2014.
- (viii) Since the Company has been registered for a period of less than five years, paragraph 4 (x) of the Order is not applicable.
- (ix) The Company has not taken any loan from banks and financial institutions and has not issued any debentures during the period.
- (x) In our opinion and according to the information and explanations given to us, the Company has not granted any loan and advance during the period on the basis of security by way of pledge of shares, debentures and other securities.
- (xi) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xii) The Company has not obtained any term loan during the period.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xiv) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short- term basis have not been used during the period for long- term investment.
- (xv) The Company has not made any preferential allotment of shares during the period.
- (xvi) The Company has not issued any debentures during the period.



**Deloitte
Haskins & Sells**

- (xvii) The Company has not raised any money by way of public issue during the period.
- (xviii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the period.

For Deloitte Haskins & Sells
Chartered Accountants
(Firm Registration No. 015125N)


Vijay Agarwal
Partner
(Membership No. 094468)

Place: NEW DELHI
Date: 21 APR 2014



HMC MM AUTO LIMITED

Notes forming part of the financial statements

Note 1 CORPORATE INFORMATION

HMC MM Auto Limited (the Company) is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on November 11, 2013 with the objective to design, develop, manufacture, distribute, assemble, buy, sell electronic fuel injection systems and related components and sub-assemblies. It is a joint venture between Hero MotoCorp Limited and Magnetti Marelli S.p.A.

Note 2 SIGNIFICANT ACCOUNTING POLICIES

i) Accounting convention

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and relevant provisions of the 1956 Act/ 2013 Act, as applicable .The financial statements have been prepared on accrual basis under the historical cost convention.

ii) Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known / materialize.

iii) Operating Cycle

The Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

iv) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition is inclusive of freight, duties, taxes and other incidental expenses. Depreciation is charged on pro-rata basis at the straight line method on the useful life of the assets which is given below:

Assets	Useful Life
Office Equipment	6 years
Computers and Hardwares	5 years

ae



The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment.

v) Pre - Operative Expenditure (Pending Allocation)

Expenses directly related to construction activity or incidental thereto, are allocated to fixed assets at the time of completion of the project.

vi) Employee benefits

a) The provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952 and The Employee's State Insurance Act, 1948 are not applicable to the Company.

b) Defined benefit plan and Long term employee benefits

Gratuity liability and long term employee benefits are provided on the basis of an actuarial valuation made at the end of each financial year as per projected unit credit method. Actuarial gains or loss arising from such valuation are charged to revenue in the year in which they arise.

vii) Foreign currency transactions

Exchange differences are dealt with as follows:-

Transactions in foreign currency are recorded at the exchange rate prevailing at the time of the transaction. All loss or gain on translation is charged to revenue in the period in which it is incurred.

Monetary assets and liabilities denominated in foreign currency are restated at the rate prevailing at the period end and resultant gain or loss is recognized.

viii) Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognized as operating leases. Lease rentals under operating leases are recognized in the Statement of Profit and Loss on a straight line basis.

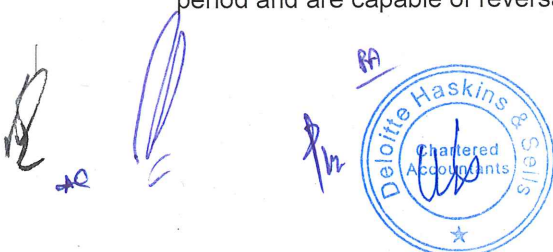
ix) Earnings per share

Earnings per share are computed by dividing the profit / (loss) after tax by the weighted average number of equity shares outstanding during the year.

x) Taxation

The provision for taxation is ascertained on the basis of assessable profits computed in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.



xi) **Provisions and contingent liabilities**

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes.

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HMC MM AUTO LIMITED

Balance Sheet as at March 31, 2014

Particulars		Note No.	As at March 31, 2014
			Amount in ₹
A	EQUITY AND LIABILITIES		
	1 Shareholders' funds		
	(a) Share capital	3	300,00,000
	(b) Reserves and surplus	4	(88,23,603)
			211,76,397
	2 Non-current liabilities		
	(a) Long term provisions	5	4,44,973
	3 Current liabilities		
	(a) Trade payables	6	42,20,330
	(b) Other current liabilities	7	12,09,902
	(c) Short-term provisions	8	9,21,022
			63,51,254
	TOTAL		279,72,624
B	ASSETS		
	1 Non-current assets		
	(a) Fixed assets		
	(i) Tangible assets	9	10,24,222
	(ii) Pre operative expenses (Pending Allocation)	9A	62,38,027
			72,62,249
	(b) Long-term loans and advances	10	3,76,350
			76,38,599
	2 Current assets		
	(a) Cash and cash equivalents	11	196,22,493
	(b) Short-term loans and advances	12	7,11,532
			203,34,025
	TOTAL		279,72,624
	See accompanying notes forming part of the financial statements	1 to 24	

In terms of our report attached.

For Deloitte Haskins & Sells

Chartered Accountants



Vijay Agarwal

Partner

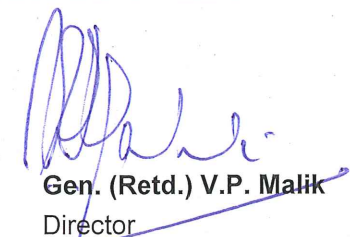
Membership No. 094468

New Delhi

April 21, 2014

For and on behalf of the Board of Directors


Ravi Sud
Director


Gen. (Retd.) V.P. Malik
Director



Arjun Dewan

CFO & Company Secretary




HMC MM AUTO LIMITED

Statement of Profit and Loss for the period November 11, 2013 to March 31, 2014

Particulars		Note No.	For the period
			November 11, 2013 to March 31, 2014 Amount in ₹
1	Expenses		
	(a) Employee benefit expenses	13	31,30,950
	(b) Depreciation	9	34,870
	(c) Other expenses	14	56,57,783
	Total expenses		88,23,603
	(Loss) for the period		(88,23,603)
	Balance carried to the balance sheet		(88,23,603)
	Loss per share basic and diluted (Face value of ₹ 10 each)		(4)
See accompanying notes forming part of the financial statements		1 to 24	

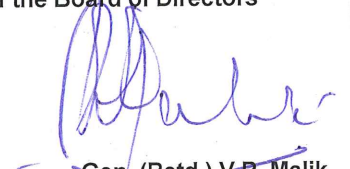
In terms of our report attached.
For Deloitte Haskins & Sells
 Chartered Accountants


Vijay Agarwal
 Partner
 Membership No. 094468

New Delhi
 April 21, 2014

For and on behalf of the Board of Directors


Ravi Sud
 Director


Gen. (Retd.) V.P. Malik
 Director


Arjun Dewan
 CFO & Company Secretary



HMC MM AUTO LIMITED

Cash flow statement for the period November 11, 2013 to March 31, 2014

Particulars	For the period November 11, 2013 to March 31, 2014
	(Amount in ₹)
A. Cash flows from operating activities	
Loss before tax	(88,23,603)
Add:- Depreciation	34,870
Operating loss before working capital changes	(87,88,733)
Changes in:	
Short term loans and advances	(7,11,532)
Long-term loans and advances	(3,76,350)
Trade and other payables	67,96,227
Net cash used in operating activities (A)	(30,80,388)
B. Cash flows from investing activities	
Purchase of fixed assets	(10,59,092)
Pre operative expenses (Pending Allocation)	(62,38,027)
Net cash used in investing activities (B)	(72,97,119)
C. Cash flows from financing activities	
Proceeds from issue of equity share capital	300,00,000
Net cash flow from financing activities (C)	300,00,000
Net increase in cash and cash equivalents (A+B+C)	196,22,493
Cash and cash equivalents at the end of the period	
Cash and cash equivalents (also refer note 11)	196,22,493
See accompanying notes forming part of the financial statements	

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants


Vijay Agarwal
Partner


Membership No. 094468

New Delhi
April 21, 2014

For and on behalf of Board of Directors


Ravi Sud
Director


Arjun Dewan
CFO & Company Secretary


Gen. (Retd.) V.P. Malik
Director



Note 3 Share capital

Particulars	As at March 31, 2014	
	Number of shares	Amount in ₹
(a) Authorised Equity shares of ₹ 10/- each with voting rights	500,00,000	5000,00,000
(b) Issued Equity shares of ₹ 10/- each with voting rights	30,00,000	300,00,000
(c) Subscribed and fully paid up Equity shares of ₹ 10/- each with voting rights	30,00,000	300,00,000
Total	30,00,000	300,00,000

	As at March 31, 2014	Percentage
(I) Shares held by Holding Company Hero Motocorp Limited	17,99,993	60
(II) Shareholders holding more than 5% of shares		
(a) Hero MotoCorp Limited	17,99,993	60
(b) Magneti Marelli S.p.A	12,00,001	40
(III) Rights, preference and restrictions attached to shares: Equity share of ₹ 10 each.		
(a) In respect of equity shares, voting right shall be in same proportion as the capital paid upon such equity shares.		
(b) The dividend proposed by Board of Directors which is subject to approval of the shareholders in the Annual General Meeting shall be same in the same proportion as the capital paid upon such equity shares.		
(c) In the event of winding up, the equity shareholders are eligible to receive the remaining assets of the Company in proportion to the capital paid upon such equity shares.		

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HMC MM AUTO LIMITED
Notes forming part of the financial statements

Note 4 Reserves and surplus

Particulars	As at March 31, 2014
	(Amount in ₹)
Deficit in Statement of Profit and Loss	
Opening balance	-
Add: Loss for the period	(88,23,603)
Closing balance	(88,23,603)

Note 5 Long-term provisions

Particulars	As at March 31, 2014
	(Amount in ₹)
Provision for employee benefits:	
(i) Provision for compensated absences	37,049
(ii) Provision for gratuity	4,07,924
Total	4,44,973

Note 6 Trade Payables

Particulars	As at March 31, 2014
	(Amount in ₹)
Trade payables other than micro and small enterprises *	42,20,330
Total	42,20,330

*According to the records available with the Company, dues payable to entities that are classified as Micro and Small Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 during the period is Nil. Further no interest has been paid or was payable to such parties under the said Act during the period.

Dues to Micro, small and medium enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Company. This information has been relied upon by the auditors.

Note 7 Other Current liabilities

Particulars	As at March 31, 2014
	(Amount in ₹)
Other payables	
(i) Statutory dues payable	12,09,902
Total	12,09,902

Note 8 Short-term provisions

Particulars	As at March 31, 2014
	(Amount in ₹)
Provision for employee benefits:	
(i) Provision for compensated absences	61,080
(ii) Provision for gratuity	8,59,942
Total	9,21,022

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HMC MM AUTO LIMITED
Notes forming part of the financial statements





Note 9 Fixed Assets

(Amount in ₹)

Description	Gross Block		Accumulated Depreciation		Net Block
	Additions	As at March 31, 2014	For the Period	Upto March 31, 2014	As at March 31, 2014
Tangibles					
Office equipment	5,39,342	5,39,342	21,372	21,372	5,17,970
Computers and hardwares	5,19,750	5,19,750	13,498	13,498	5,06,252
Total	10,59,092	10,59,092	34,870	34,870	10,24,222

Note 9A Pre operative expenses- Pending Allocation

Particulars	As at March 31, 2014
	(Amount in ₹)
Salaries and allowances	46,18,137
Technical guidance fee	12,37,781
Traveling expenses	3,60,509
Others	21,600
Total	62,38,027

HMC MM AUTO LIMITED
Notes forming part of the financial statements

Note 10 Long-term loans and advances

Particulars	As at March 31, 2014
	(Amount in ₹)
Unsecured, considered good	
Security deposits	3,76,350
Total	3,76,350

Note 11 Cash and cash equivalents

Particulars	As at March 31, 2014
	(Amount in ₹)
(a) Cash on hand	9,734
(b) Balances with banks	
(i) In current accounts	196,12,759
Total	196,22,493
Of the above, the balances that meet the definition of Cash and cash equivalents as per AS-3 Cash Flow Statements is :	
(a) Cash on hand	9,734
(b) Balances with banks	
(i) In current accounts	196,12,759
Total	196,22,493

Note 12 Short-term loans and advances

Particulars	As at March 31, 2014
	(Amount in ₹)
Unsecured, considered good	
(a) Prepaid expenses	41,510
(b) Balances with Government Authorities	
Service Tax credit receivable	1,46,794
(c) Employee advances	5,15,363
(d) Others	7,865
Total	7,11,532

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HMC MM AUTO LIMITED
Notes forming part of the financial statements

Note 13 Employee benefits expense

Particulars	For the period
	November 11, 2013 to March 31, 2014 (Amount in ₹)
Salaries and allowances	17,86,223
Gratuity expense	12,67,866
Staff welfare expenses	76,861
Total	31,30,950

Note 14 Other expenses

Particulars	For the period
	November 11, 2013 to March 31, 2014 (Amount in ₹)
Lease rentals (refer note 23)	4,04,678
Repairs and maintenance - others	36,651
Insurance	1,002
Rates and taxes	34,22,854
Communication	27,655
Traveling and conveyance	1,37,050
Printing and stationery	31,502
Legal and professional expenses	5,18,336
Audit fees	5,00,000
Directors sitting fees	2,02,248
Recruitment expenses	2,10,072
Miscellaneous expenses	1,65,735
Total	56,57,783

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Note 15 As the Company's business activity falls within a single primary business segment viz. "Manufacturing of automobile parts" and is a single geographical segment, the disclosure requirements of Accounting Standard (AS-17) "Segment Reporting", notified in the Companies (Accounting Standards) Rules, 2006 are not applicable.

Note 16 During the period, the Company has entered into a license and technical assistance agreement (LTAA) dated December 09, 2013 with Magneti Marelli S.p.A (MM) and in accordance therewith MM has granted to the Company the license for manufacturing, assembling, selling and distributing the fuel injection systems and its components and providing technical assistance, training etc. The Company has commitment to pay lump sum amount equivalent of Rs 148,375,000 in various tranches for the same to MM.

Management has identified various stages/activities for technology transfer by MM and accordingly as and when transfer of technology reaches to a reasonable stage of identification, accrual for such liability will be recorded with corresponding assets, if any.

Note 17 The period end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

Particulars	Amount in USD	Amount in ₹
Payables	15,890	943,071
Total	15,890	943,071

Note 18 Related party disclosures under Accounting Standard 18

(i) Details of related parties

a) Holding Company

Hero MotoCorp Limited

b) Party in respect of which the Company is associate

Magneti Marelli S.p.A

(ii) Transactions with related parties during the period

a) Holding Company - Hero MotoCorp Limited

(Amount in ₹)

Particulars	This period
Share capital issued	17,999,930
Reimbursement of expenses	3,366,167

b) Party in respect of which the Company is associate – Magneti Marelli S.p.A

(Amount in ₹)

Particulars	This Period
Share capital issued	12,000,010
Technical guidance fee	1,178,839
Balance outstanding at the period end -Payables	943,071



Note 19 In accordance with the Accounting Standard 15 (Revised 2005), actuarial valuation was done in respect of gratuity and compensated absences :

S No.	Particulars	Gratuity (Unfunded) as at March 31, 2014	Compensated Absences (Unfunded) as at March 31, 2014
		(Amount in ₹)	(Amount in ₹)
I	<u>Reconciliation of opening and closing balance of the present value of defined benefit obligations (PVO):-</u>		
a.	PVO at the beginning of the period	-	-
b.	Current Service Cost	1,267,866	98,129
c.	Interest Cost	-	-
d.	Actuarial (gain)/ loss	-	-
e.	Benefits paid	-	-
	Past service cost	-	-
f.	PVO at the end of the period	1,267,866	98,129
II	<u>Amount recognized in the Statement of Profit and Loss :-</u>		
a.	Current Service Cost	1,267,866	98,129
b.	Interest cost	-	-
c.	Actuarial (gain) / losses	-	-
d.	Past service cost	-	-
	Net cost	1,267,866	98,129
III	<u>Amount recognized in the Balance Sheet:-</u>		
a.	PVO at the end of the period	1,267,866	98,129
b.	Funded Status	-	-
c.	Net Liability recognized in the Balance Sheet	1,267,866	98,129
IV	<u>Assumptions used in accounting for the benefit plan</u>		
a.	Discount Rate (%)	8.50%	8.50%
b.	Salary escalation rate (%)	6.00%	6.00%
c.	Expected average remaining working life of employees (period in years)	21.25	21.25

1. The estimate of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and relevant factors such as supply and demand in the employment market.
2. Since the liability is not funded, therefore information with regard to the plan assets has not been furnished.

Note 20 Loss Per Share

Particulars	For the period November 11, 2013 to March 31, 2014
Loss for the period(₹)	(8,823,603)
Weighted Average number of equity shares (Nos.)	2,413,830
Nominal Value per equity share (₹ per share)	10
Basic and diluted loss per share (₹)	(4)



Note 21 Expenditure in Foreign Currency (Accrual Basis)

Particulars	(Amount in ₹)
	For the period November 11, 2013 to March 31, 2014
Technical Guidance Fees	1,178,839
Lodging Expense	239,161
Total	1,418,000

Note 22 During the period, the Company has not recognized the deferred tax assets in absence of virtual certainty that sufficient taxable income will be available in future years, against which such deferred tax would be realized.

Particulars	(Amount in ₹)
	As at March 31, 2014
Deferred tax assets on Preliminary expenses	1,039,195
Less:- Deferred tax liability on depreciation	10,774
Net Deferred tax	1,028,421
Net Deferred tax asset recognized	Nil

Note 23 The Company has entered into operating lease agreement for leased premises. This lease arrangement is non-cancellable in nature. The aggregate lease rentals under the arrangement amounting to Rs. 404,678/- have been charged under "Lease rentals" in Note 14. Future lease payments under operating leases are as follows:

Particulars	(Amount in ₹)
	March 31, 2014
Payable not later than one year	1,505,400
Payable later than one year and not later than five years	1,505,400
Total	3,010,800



Note 24 The Company was incorporated on November 11, 2013. This being the first accounting period of the Company, there are no comparative figures.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board of Directors



Ravi Sud
Director



Gen. (Retd.) V.P. Malik
Director



Vijay Agarwal
Partner
Membership No. 094468

New Delhi
April 21, 2014



Arjun Dewan
CFO & Company Secretary