



भेल ईलेक्ट्रिकल मशीन्स लिमिटेड

CIN: U31909KL2011GOI027440

BHEL Electrical Machines Limited

Annual Financial Statement 2016-17

Registered Office: #283/1&2, Bedradka Post, Kasaragod – 671124, Kerala, India

BHEL Electrical Machines Limited

Balance Sheet As at March 31, 2017



(INR in Lakhs)

Particulars	Note No.	Figures as at the end of current reporting period 31.03.2017	Figures as at the end of previous reporting period 31.03.2016	Opening Figures as on Ind AS Transition date 01.04.2015
I. ASSETS				
1 Non-current assets				
(a) Property, plant and equipment	3	531.38	622.86	710.69
(b) Financial assets				
(i) Trade receivables	4	140.20	95.08	63.60
(ii) Others	5	0.15	0.15	
(c) Deferred tax assets (net)	6	482.09	347.76	248.84
(d) Other non-current assets	7	1.38	3.32	8.95
Total non-current assets		1,155.20	1,069.17	1,032.08
2 Current assets				
(a) Inventories	8	733.14	629.04	529.55
(b) Financial assets				
(i) Trade receivables	9	322.20	974.95	465.12
(ii) Cash and cash equivalents	10	103.71	0.51	0.39
(iii) Bank balances other than (iii) above	11	72.75	120.32	27.70
(iv) Loans	12	31.88	34.34	26.60
(c) Other Current Assets	13	238.57	167.06	81.96
Total current assets		1,502.25	1,926.22	1,131.32
TOTAL ASSETS		2,657.45	2,995.39	2,163.40
II. EQUITY AND LIABILITIES				
1 Equity				
(a) Equity share capital	14	1,050.00	1,050.00	1,050.00
(b) Other Equity	15	(1,272.72)	(893.46)	(595.07)
Equity attributable to equity holders of the parent				
Non-controlling interests				
Total equity		(222.72)	156.54	454.93
2 Non-Current Liabilities				
(a) Financial Liabilities				
(i) Trade Payables	16	198.63	146.81	17.68
(b) Provisions	17	483.55	512.90	441.38
		682.18	659.71	459.06
3 Current liabilities				
(a) Financial Liability				
(i) Borrowings	18	945.37	668.64	214.15
(ii) Trade payables	19	791.73	1,103.73	710.16
(iii) Other financial liabilities	20	140.05	156.69	80.82
(b) Other current liabilities	21	97.15	78.11	112.50
(c) Provisions	22	223.69	171.97	131.78
		2,197.99	2,179.14	1,249.41
Total Liabilities		2,880.17	2,838.85	1,708.47
TOTAL EQUITY AND LIABILITIES		2,657.45	2,995.39	2,163.40
Significant accounting policies	1-2			
Other notes to financial statements	34-40			

The accompanying Notes 3 to 40 and significant accounting policies form an integral part of the financial statements

(Vinod M)

Head - Finance

(Ram Kumar Mishra)

Company Secretary

4th May 2017

For and on behalf of Board of Directors

(Retd.) K Shamsuddin

Director

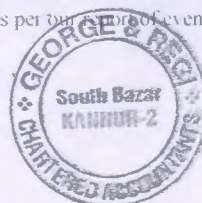
(S Basu)

Managing Director

As per the report of even date attached separately

For **GEORGE & REGI**
Chartered Accountants
Firm Regn. No: 009022S

P. J. REGI FCA, D.L.S.A. (ICA)
(Partner)
Membership No. 209836



BHEL Electrical Machines Limited
Statement of Profit and Loss
For the year ended 31st March, 2017



(INR in Lakhs)

Particulars	Note No.	Figures for the current reporting period ending 31.03.2017	Figures for the current reporting period ending 31.03.2016
I. Revenue from operations (Gross)	23	3212.93	4173.29
Less: excise duty		-	-
Less: service tax & Swachh Bharat Cess		(6.17)	(10.38)
Other operational income	24	3206.76	4162.91
		10.75	5.26
II. Other income	25	12.46	8.35
III. Total Income (I+II)		3,229.97	4,176.52
IV. Expenses			
Cost of material consumption, erection and engineering expenses	26	2509.26	3109.58
(Increase)/Decrease in work in progress and finished goods	27	(154.37)	(44.01)
Employee benefits expense	28	811.53	758.60
Finance costs	29	68.89	50.58
Depreciation and amortisation expense		95.49	95.77
Other expenses	30	332.90	446.07
Provisions (net)	31	147.77	156.04
Less: Cost of jobs done for internal use			
		3,811.47	4,572.63
V. Profit/(loss) before exceptional items and tax (I-IV)		(581.50)	(396.11)
VI. Exceptional Items		-	-
VII. Profit/(loss) before tax (V-VI)		(581.50)	(396.11)
VIII. Tax expense	32		
a) Current tax		-	-
b) Deferred tax		(157.83)	(98.51)
IX. Profit/(loss) for the period from continuing operations (VII-VIII)		(423.67)	(297.60)
X. Other comprehensive income			
A Items that will not be reclassified to profit or loss			
- Re-measurements of defined benefit plans		67.91	(1.20)
- Less: Tax on Re-measurements of defined benefit plans		(23.50)	0.41
B Items that will be reclassified to profit or loss (net of tax)			
- Income tax relating to items that will be reclassified to profit or loss			
Total comprehensive income for the period (IX+X) (Comprising Profit (Loss) and Other Comprehensive Income for the period)		(379.26)	(298.39)
XI. Earnings per equity share (for continuing operation)			
(1) Basic (in INR)	33	(3.61)	(2.84)
(2) Diluted (in INR)		(3.61)	(2.84)
Face value per Share (in INR)		10.00	10.00
Significant accounting policies	1-2		
Other notes to financial statements	34-40		

The accompanying Notes 3 to 40 and significant accounting policies form an integral part of the financial statements

(Vinod M)

Head - Finance

For and on behalf of Board of Directors

(Ram Kumar Mishra)

Company Secretary

GEORGE & REGI

Chartered Accountants

Firm Regn. No: 009022S

(K. Shamsuddin)

Director

As per report of date attached separately

(S. Baku)

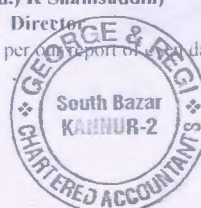
Managing Director

4th May - 2017

P. J. REGI F.C.A.; D.I.S.A. (NCA)

(Partner)

Membership No. 209836



BHEL Electrical Machines Limited
Statement of Cash Flow
For the year ended 31st March, 2017



(INR in Lakhs)

Particulars	Figures for the current reporting period ending 31.03.2017	Figures for the current reporting period ending 31.03.2016
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit (loss)	(511.08)	(397.31)
adjustment for		
Depreciation	95.49	95.77
Provision for doubtful debts	(45.12)	(31.48)
deffered revenue expenditure		
Provisions (Long term)	22.47	200.65
Interest Expenditure		
Total	(438.24)	(132.37)
Adjustments for		
(increase)/decrease in trade & other receivables	273.28	(597.19)
(increase)/decrease in inventories	192.48	(99.49)
Increase/(Decrease) in Trade and other payments	(244.61)	475.24
Net Cash flow from operating Activities	221.15	(221.44)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Sale of assets		
Interest received		
(Purchase of fixed assets)	(4.01)	(7.94)
Net Cash from investing Activities	(4.01)	(7.94)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) in long term borrowing		
Increase/(Decrease) in short term borrowing	276.73	454.49
Net cash from financing activities	276.73	454.49
Net Increase /(Decrease) in cash /Cash equivalents	55.63	92.74
Opening Cash balance	120.83	28.09
Cash /Cash equivalents at the end of the period	176.46	120.83

(Vinod M)

Head (Finance)

(Ram Kumar Mishra)

Company Secretary

4th May 2017

For and on behalf of Board of Directors

(Cdr. (Retd.) K Shamsuddin)

Director

(S Basu)

Managing Director

As per our report of even date attached separately



For **GEORGE & REGI**
Chartered Accountants
Firm Regn. No: 009022S

P. J. REGI F.C.A; D.I.S.A (ICA)
(Partner)
Membership No. 209836

ACCOUNTING POLICY (AS PER IND AS)

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

a) Statement of Compliance

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind-AS) as notified by Ministry of Corporate Affairs under the Companies (Indian Accounting Standards) Rules, 2015 and subsequent amendments thereof as well as with the additional requirements applicable to financial statements as set forth in Companies Act, 2013.

b) Basis of measurement

The financial statements have been prepared on a going concern basis and on an accrual method of accounting. Historical cost is used in preparation of the financial statements except as otherwise mentioned in the policy.

c) Functional and presentation currency

The financial statements are prepared in INR, which is the Company's functional currency.

d) Use of Estimates and Judgments

The preparation of the financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Critical estimates and judgements in applying accounting policies

Estimates and judgements made in applying accounting policies that have significant effect on the amounts recognized in the financial statements are as follows:

i) Property, plant and equipment

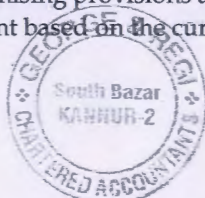
The charge in respect of periodic depreciation is derived after estimating the assets expected useful life and the expected residual value at the end of its life. The depreciation method, useful lives and residual values of Company's assets are estimated by management at the time the asset is acquired and reviewed during each financial year.

ii) Employee Benefit Plans

Employee defined benefit plans and long term benefit plans are measured on the basis of actuarial assumptions. However, any changes in these assumptions may have impact on the reported amount of obligation and expenses.

iii) Provisions and contingencies

Assessments undertaken in recognising provisions and contingencies have been made as per the best judgement of the management based on the current available information.





2. SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in the financial statements.

i. Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation on property, plant and equipment is charged on straight-line method as per the useful life prescribed in Schedule II of the Companies Act, 2013, except where estimated useful life is shorter based on technically assessed estimated useful life as shown hereunder:-

	(Years)		
	Single shift	Double Shift	Triple shift
General plant & machinery	12.5	8.33	6.25
(Inclusive of patterns, measuring instruments and Pallet trucks)			

Depreciation methods, useful lives and residual values are reviewed in each financial year and changes, if any, are accounted for prospectively.

Fixed assets costing INR 10,000/- or less and those whose written down value as at the beginning of the year is INR 10,000/- or less, are depreciated fully.

ii. Intangible Assets

Intangible items costing more than INR 10,000/- are evaluated for capitalization and are carried at cost less accumulated amortization and accumulated impairment, if any.

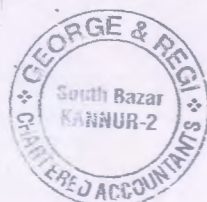
Intangible assets are amortized in Statement of Profit or Loss on a straight-line method over the estimated useful lives from the date that they are available for use. The estimated useful lives for the intangible assets are as follows:

Software	3 years
Others	10 years

Intangible assets having WDV INR 10,000/- or less at the beginning of the year are amortized fully.

Amortization period and amortization methods are reviewed in each financial year and changes, if any, are accounted for prospectively.

Expenditure on research activities is recognized in profit or loss as incurred. Expenditure on development activities is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs, if any. Assets acquired for purposes of research and development are capitalized.



iii. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are added to the cost of such assets.

An asset that necessarily takes a substantial period of time, considered as more than twelve months, to get ready for its intended use or sale is a qualifying asset for the purpose.

All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

iv. Financial Instruments**Non-derivative financial instruments**

Non derivative financial instruments are classified as:

- Financial assets, measured at (a) amortized cost and (b) fair value through Profit and Loss ("FVTPL").
- Financial liabilities carried at amortized cost.

Initially, all financial instruments are recognized at their fair value. Transaction costs are included in determining the carrying amount, if the financial instruments are not measured at FVTPL. Financial assets are derecognized when substantial risks and rewards of ownership of the financial asset have been transferred. In cases where substantial risks and rewards of ownership of the financial assets are neither transferred nor retained, financial assets are derecognized only when the Company has not retained control over the financial asset. Financial liabilities are derecognized when contractual obligations are discharged or cancelled or expired.

Non-derivative financial assets are subsequently measured as below:

A. Amortized cost -

"Financial Instruments at amortized cost" are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the profit or loss. The losses arising from impairment are recognized in the profit or loss.

B. FVTPL Category -

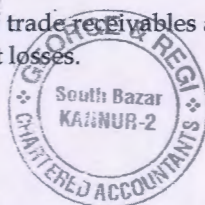
Financial instruments classified in this category are subsequently carried at fair value with changes recorded in the statement of profit or loss. Directly attributable transaction costs are recognized in P&L as incurred.

Non-derivative financial liabilities are subsequently measured as below:

Subsequent to initial recognition, non - derivative financial liabilities are measured at amortised cost using the effective interest method.

v. Impairment**Impairment of financial assets**

The loss allowance in respect of trade receivables and lease receivables are measured at an amount equal to lifetime expected credit losses.



The loss allowance in respect of all other financial assets, which are required to be impaired, are measured at an amount equal to lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. However, if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses.

Impairment of Non- Financial Assets

The carrying amount of cash generating units is reviewed at each reporting date where there is any indication of impairment. An impairment loss is recognized in the statement of profit and loss where the carrying amount exceeds the recoverable amount of the cash generating units. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

vi. Inventory valuation

- a. Inventory is valued at actual/estimated cost or net realizable value, whichever is lower
- b. Finished goods in Plant and work in progress are valued at actual/estimated factory cost or 97.5% of the realizable value, whichever is lower
- c. In respect of valuation of finished goods in plant and work-in-progress, cost means factory Cost, actual/estimated factory cost includes excise duty payable on manufactured goods.
- d. In respect of raw material, components, loose tools, stores and spares, cost means weighted average cost.
- e. The component and material purchased /manufactured against production orders but declared surplus are charged off to revenue retaining residual value based on technical estimates.

vii. Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably.

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer.

Other Income

Interest Income is recognized using effective interest rate method.

Claims for export incentives/ duty drawbacks, duty refunds and insurance are accounted for on accrual basis



viii. Foreign currency Translation/Transaction

Transaction in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction.

Foreign currency denominated monetary assets and liabilities are translated into the functional currency at exchange rates in effect at the end of each reporting period. Foreign exchange gains or losses arising from settlement and translations are recognized in the statement of profit or loss.

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

ix. Employee Benefits**Defined contribution plans**

The Company's contribution to provident fund and pension fund for the employees and contribution to medical scheme is covered under defined contribution plan and is recognized as employee benefit expense in statement of profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

The Company's contribution to gratuity scheme is in the nature of defined benefit plans.

The liability recognized in the balance sheet in respect of these defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, if any. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an appropriate government bond rate that have terms to maturity approximating to the terms of the related liability.

Re-measurements comprising actuarial gains and losses as well as the difference between the return on plan assets and the amounts included in net interest on the net defined benefits liability (asset) are recognized in other comprehensive income, net of income tax.

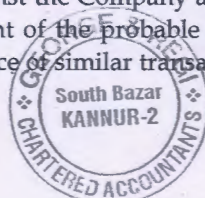
Other expenses related to defined benefit plans are recognized in statement of profit or loss.

Long term Leave Liability

The Company measures the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur. The Company records a liability for accumulated balance based on actuarial valuation determined using projected unit credit method. Re-measurements and other expenses related to long term benefit plans are recognized in statement of profit or loss.

x. Provisions

(i) Claims for liquidated damages against the Company are recognized in the financial statements based on the management's assessment of the probable outcome with reference to the available information supplemented by experience of similar transactions.



(ii) Claims for export incentives/ duty drawbacks/ duty refunds and insurance claims etc. are taken into account on accrual basis.

(iii) Amounts due in respect of price escalation claims and/ or variation in contract work are recognized as revenue only when there are conditions in the contracts for such claims or variation and/ or evidence of the acceptability of the same from customers. However, escalation is restricted to intrinsic value

However, where the effect of time value of money is material, provisions are determined and maintained by discounting the expected future cash flows, wherever applicable.

xi. Income taxes

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in statement of profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates (tax laws) enacted or substantively enacted by the end of the reporting period and includes adjustment on account of tax in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary difference between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax is measured at the tax rates that are expected to apply when the temporary differences are either realised or settled, based on the laws that have been enacted or substantively enacted by the end of reporting period.

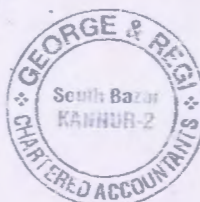
A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred tax assets are reviewed at each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional Income tax that arise from the distribution of dividends are recognized at the same time when the liability to pay the related dividend is recognized.

xii. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand. It includes term deposits and other short-term money market deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

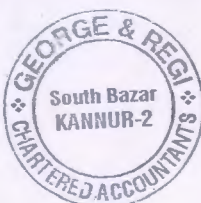


BHEL Electrical Machines Limited



(INR in Lakhs)

Particulars	Figures as at the end of current reporting period 31.03.2017	Figures as at the end of previous reporting period 31.03.2016	Opening Figures as on Ind AS Transition date 01.04.2015
Note no. 3 Property, plant and equipment			
(i) Tangible assets			
Gross block	1,096.06	1,092.04	1,100.39
Less: Accumulated depreciation	(564.68)	(469.18)	(382.23)
Less: Accumulated impairment			(7.47)
Less: Lease adjustment account			
Net Block (Refer Note. 3.1 for detailed schedule)	531.38	622.86	710.69
(ii) Capital work in progress			
Construction work-in-progress			
Total			
Note no. 4 Trade receivables			
Unsecured-			
Long term trade receivables	299.80	254.68	131.83
Less: Provision for bad & doubtful debts	(38.32)	(38.32)	(16.84)
Less: Provision for LD	(121.28)	(121.28)	(51.39)
Total	140.20	95.08	63.60
Sub classification: Trade receivables			
Considered good	140.20	95.08	131.83
Bad and Doubtful	159.60	159.60	68.23
Note no. 5 Others			
Unsecured Considered Good-			
Deposits others	0.15	0.15	
Total	0.15	0.15	-
Note no. 6 Deferred tax assets (net)			
a) Deferred tax assets and liabilities are attributable to the following:			
Deferred tax assets			
Provisions	347.76	248.84	100.41
Additions for the year	134.33	98.92	148.43
Total	482.09	347.76	248.84
Note no. 7 Other non - current assets			
TDS	1.38	3.32	8.95
Total	1.38	3.32	8.95



BHEL ELECTRICAL MACHINES LIMITED

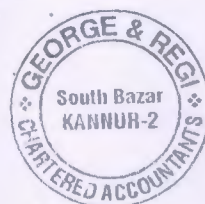


Note 3.1

FIXED ASSETS AS ON 31-03-2017

(₹ in lakhs)

SLNO	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as on 01-04-16	Additions / Adjustments during the year	Deductions / Adjustments during the year	Total Cost as on 31-03-2017	Depreciated on as on 01-04-2016	Depreciated on During the year	Deductions / Adjustments during the year	Depreciated on upto 31-03-2017	As on 31-03-2017	As on 31-03-2016
1	Freehold land(including development expenses)	31.15			31.15					31.15	31.15
2	Buildings	337.43			337.43	53.93	9.86		63.80	273.63	283.50
3	Plant & Machinery	672.09	4.03		676.12	386.11	80.59		466.71	209.41	285.97
4	Electronic Data Processing Equipment	5.63			5.63	5.45	0.07		5.51	0.12	0.18
5	Electrical Installations	33.83			33.83	15.28	3.31		18.59	15.24	18.56
6	Vehicles	0.44			0.44	0.21	0.06		0.27	0.17	0.24
7	Furniture & fixtures	0.12			0.12	0.12	0.00		0.12	0.00	0.00
8	Office and Other equipments	7.90			7.90	4.65	1.59		6.24	1.66	3.26
9	Fixed Assets costing upto Rs. 10,000/-	3.44			3.44	3.44	0.00		3.44	0.00	0.00
	TOTAL	1092.03	4.03	0.00	1096.06	469.19	95.49	0.00	564.67	531.38	622.85



BHEL Electrical Machines Limited



(INR in Lakhs)

Particulars	Figures as at the end of current reporting period 31.03.2017	Figures as at the end of previous reporting period 31.03.2016	Opening Figures as on Ind AS Transition date 01.04.2015
<u>Note no. 8 Inventories</u>			
Stores & spare parts			
Production	8.25	3.31	2.50
Raw material & components	153.34	203.29	150.31
Material-in-transit	-	1.95	0.26
finished goods	386.07	288.12	249.71
Work-in-progress	191.30	134.88	129.28
Less provision for non moving inventory	(5.82)	(2.51)	(2.51)
Total	733.14	629.04	529.55
<u>Note no. 9 Trade Receivables</u>			
<i>Unsecured</i>			
Considered Good	322.20	974.95	465.12
Considered Doubtful	80.35		
Less : Provision for bad & doubtful debts	80.35		
Total	322.20	974.95	465.12
Trade receivables include			
-Deferred Debts	80.96		
-Goods Despatched Pending Billing	18.59		
<u>Note no. 10 Cash & cash equivalents</u>			
Balances with Banks*	103.71	0.30	0.24
Cash & Stamps in on hand	0.00	0.21	0.15
Total	103.71	0.51	0.39
<u>Note no. 11 Bank balances other than (iii) above</u>			
Fixed Deposits having maturity more than 3 months but not more than 12 months	72.75	120.32	27.70
Total	72.75	120.32	27.70
<u>Note no. 12 Loans</u>			
Deposits			
<i>Unsecured, Considered Good</i>			
Balance with customs, port trust and other Govt authorities	0.04	0.04	0.04
Others	31.84	34.30	26.56
Total	31.88	34.34	26.60



BHEL Electrical Machines Limited



(INR in Lakhs)

Particulars	Figures as at the end of current reporting period 31.03.2017	Figures as at the end of previous reporting period 31.03.2016	Opening Figures as on Ind AS Transition date 01.04.2015
Note no. 13 Other Current Assets			
<i>Unsecured, Considered Good</i>			
Advances (recoverable in cash or kind or for value to be received)			
To employees	204.25	139.54	74.95
For purchases	1.78	0.53	0.17
To others	32.54	26.99	6.84
Total	238.57	167.06	81.96
Note no. 14 - Equity Share capital			
Authorised			
Equity Shares of INR 10 each fully paid up	1050.00	1050.00	1050.00
Issued, Subscribed & Paid up Capital	1050.00	1050.00	1050.00
Equity Shares of INR 10 each fully paid up			
(BHEL and its nominees holding - 53,55,000 @ 10/- each - 51% -(Previous year 53,55,000 shares @10/- each)			
a) Reconciliation of Shares outstanding at the beginning and at the end of the reporting period			
Shares outstanding at the beginning of the year	1050.00	1050.00	1050.00
Shares issued during the year			
Shares bought back during the year			
Shares outstanding at the end of the year	1050.00	1050.00	1050.00
b) Details of shareholders holding more than 5% shares in the Company			
BHEL and its nominees	51.00%	51.00%	51.00%
Government of Kerala and its nominees	49.00%	49.00%	49.00%
Face Value per share (INR)	10.00	10.00	10.00
c) Terms/rights attached to equity shares			
The Company has only one class of equity shares			
Note no. 15 - Other Equity			
Other Reserves			
(c) Retained earnings			
Opening balance	(893.46)	(595.07)	(198.64)
Add: Additions/ adj	(423.67)	(297.60)	(396.43)
Less: Deductions/ adj			
Other Comprehensive Income	44.41	0.79	
Total	(1,272.72)	(893.46)	(595.07)



BHEL Electrical Machines Limited



(INR in Lakhs)

Particulars	Figures as at the end of current reporting period 31.03.2017	Figures as at the end of previous reporting period 31.03.2016	Opening Figures as on Ind AS Transition date 01.04.2015
Note no. 16 Trade payables			
Trade payables	198.63	146.81	17.68
Note no. 17 Provisions			
Long term Provisions			
Provision for employee benefits	483.55	512.90	441.38
Total	483.55	512.90	441.38
Note no. 18 Borrowings			
Secured			
Loans & advances from banks			
Cash credit (Cr. balance) (secured by hypothecation of fixed assets, raw materials, components, stores & spares, work-in- progress, finished goods, book debts and other	603.70	353.31	214.15
Unsecured			
From others-Companies	341.67	315.33	
Total	945.37	668.64	214.15
Note no. 19 Trade payables			
Financial liabilities at amortised cost			
Trade payables	791.73	1,103.73	710.16
Note no. 20 Other financial liabilities			
Deposits from Contractors & others	22.68	28.28	19.85
Other payables/ liabilities			
- Statutory dues	45.66	70.27	48.34
- Employees dues	46.87	34.45	8.86
- Other dues	24.84	23.69	3.77
Total	140.05	156.69	80.82
Note no. 21 Other current liabilities			
Advances received from customers & others	97.15	78.11	112.50
Total	97.15	78.11	112.50
Note no. 22 Provisions			
Provision for employee benefits	223.69	157.61	131.78
Other Short term provisions	-	14.36	
Total	223.69	171.97	131.78



BHEL Electrical Machines Limited



(INR in Lakhs)

Particulars	Figures for the current reporting period ending 31.03.2017	Figures for the current reporting period ending 31.03.2016
Note no. 23 Revenue from operations		
Sales less returns	3,100.29	3,933.78
Income from external erection & other services	112.64	239.51
Total	3,212.93	4,173.29
Note no. 24 Other operational Income		
Scrap sale	10.75	5.26
Others	-	-
Total	10.75	5.26
Note no. 25 Other income		
A. Other income		
Exchange variation (net)	-	0.01
Others (including grants from Govt of India for R & D Projects)	-	3.35
Total (A)	-	3.36
B. Interest income		
From banks	12.46	4.99
Total (B)	12.46	4.99
Total (A+B)	12.46	8.35
Note no. 26 Cost of material consumption, erection and engineering expenses		
Consumption of raw material & components	2,361.69	2,852.51
Consumption of stores & spares	5.38	12.44
Erection and engineering exp. - payment to subcontractors	142.19	244.63
Total	2,509.26	3,109.58
Note no. 27 Increase/(Decrease) in work in progress & finished goods		
Work -in -progress		
Closing Balance	(191.30)	(134.88)
Opening Balance	134.88	129.28
Finished goods		
Closing Balance	(386.07)	(288.12)
Opening Balance	288.12	249.71
Inter-division transfer in transit		
Total	(154.37)	(44.01)

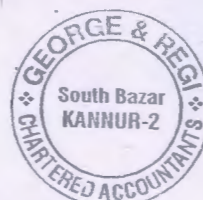


BHEL Electrical Machines Limited



(INR in Lakhs)

Particulars	Figures for the current reporting period ending 31.03.2017	Figures for the current reporting period ending 31.03.2016
Note no. 28 Employee benefits expense		
Salaries, wages, bonus, allowances & other benefits	589.90	552.78
Contribution to gratuity fund	60.90	57.61
Contribution to provident and other funds	69.10	64.73
Staff welfare expenses	91.63	83.48
Total	811.53	758.60
Note no. 29 Finance costs		
Interest on financial liabilities not at fair value through profit or loss	68.89	50.58
Total	68.89	50.58
Note no. 30 Other expenses of manufacture, administration, selling & distribution		
Rent	2.04	1.95
Excise duty on turnover	169.42	228.56
Excise duty (On FG and scrap)	(8.39)	4.80
Power & Fuel	36.31	41.38
Rates & taxes	4.84	4.73
Service tax & Swachh Bharat Cess	1.17	0.73
Exchange variation (Net)	2.42	2.60
Repairs:		
Plant & machinery	5.89	10.25
Carriage outward	52.11	56.52
Travelling & conveyance	10.46	12.69
Miscellaneous expenses	56.63	81.86
Total	332.90	446.07
Note no. 31 Provisions (net)		
Doubtful debts, liquidated damages and loans & advances		
Created during the year	80.35	91.38
Less written back during the year		
Others		
Created during the year	67.42	64.66
Less written back during the year		
Discounting of Other long term provisions (net)		
Reversal of Provision on ECL		
Total	147.77	156.04

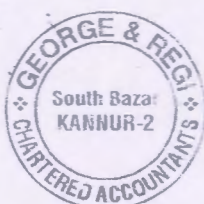


BHEL Electrical Machines Limited



(INR in Lakhs)

Particulars	Figures for the current reporting period ending 31.03.2017	Figures for the current reporting period ending 31.03.2016
<u>Note no. 32 Tax expense</u>		
a) Current tax		
for current year		
for earlier years		
Tax on OCI		
Total		
b) Deferred tax charge /(credit)		
for current year	(157.83)	(98.51)
for earlier years		
Total	(157.83)	(98.51)
<u>Note no. 33 Earnings per share</u>		
Profit(Loss) for the year	(379.26)	(298.39)
Number of Equity shares	10,500,000	10,500,000
Basic Earnings per Share (in INR)	(3.61)	(2.84)
Convertible Equity	0	0
Diluted Earnings per Share (in INR)	(3.61)	(2.84)





Note No. 34 STATEMENT OF CHANGES IN EQUITY

(A) Equity Share Capital

(INR in Lakhs)

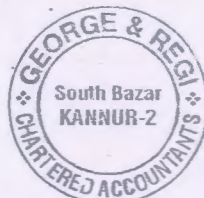
For the year ended 31 March 2017		
Balance as at April 01, 2016	Changes in equity share capital during the year	Balance as at March 31, 2017
1,050.00	-	1,050.00
For the year ended 31 March 2016		
Balance as at 1 st April 2015	Changes in equity share capital during the year	Balance as at 31 st March 2016
1,050.00	-	1,050.00

(B) Other Equity

(INR in Lakhs)

	31-Mar-17
	Reserves & Surplus
	Retained Earnings
Balance as at 1 April 2016	(893.46)
Profit for the year	(423.67)
Other comprehensive Income (net of tax)	44.41
Total Comprehensive Income	(379.26)
Balance as at 31 March 2017	(1,272.72)

	31-Mar-16
	Reserves & Surplus
	Retained Earnings
Balance as at 1 April 2015	(595.07)
Profit for the year	(297.60)
Other comprehensive Income (net of tax)	(0.79)
Total Comprehensive Income	(298.39)
Balance as at 31 March 2016	(893.46)



Note No. 35**First time adoption of Ind AS**

The company has prepared its first Financial Statements in accordance with Ind AS for the year ended 31 March 2017. For periods up to and including the year ended 31 March 2016, the Company prepared its financial statements in accordance with Indian GAAP, including accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended). The effective date for Company's Ind AS Opening Balance Sheet is 1 April 2015 (the date of transition to Ind AS).

The accounting policies set out in Note 1 and 2 have been applied in preparing the financial statements for the year ended 31 March 2017, the comparative information presented in these financial statements for the year ended 31 March 2016 and in the preparation of an opening Ind AS Balance Sheet as at 1 April 2015 (the Company's date of transition). According to Ind AS 101, the first Ind AS Financial Statements must use recognition and measurement principles that are based on standards and interpretations that are effective as at 31 March 2017, the date of first-time preparation of Financial Statements according to Ind AS. These accounting principles and measurement principles must be applied retrospectively to the date of transition to Ind AS and for all periods presented within the first Ind AS Financial Statements.

An explanation of how the transition from previous GAAP to Ind AS has affected the company's financial position, financial performance and cash flows is set out in the following notes.

Exemption and exceptions availed

In the Ind AS Opening Balance Sheet as at 1 April 2015, the carrying amounts of assets and liabilities from the Indian GAAP as at 31 March 2015 are generally recognized and measured according to Ind AS in effect as on 31 March 2017. For certain individual cases, however, Ind AS 101 provides for optional exemptions and mandatory exceptions to the general principles of retrospective application of Ind AS. The Company has used the following exemptions and exceptions in preparing its Ind AS Opening Balance Sheet:

Optional Exceptions availed**i) Property, plant and equipment & Intangible assets**

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38, Intangible Assets. Accordingly, the company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.



Ind AS mandatory exceptions**i) Classification and measurement of financial assets**

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the facts and circumstances that exist at the date of transition to Ind AS. Accordingly Company has classified and measured all its financial assets at amortised cost on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

ii) Estimates

An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 1 April 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP. The Company made estimates for expected credit loss on financial assets in accordance with Ind AS at the date of transition as these were not required under previous GAAP.

Notes to first time adoption**(a) Other comprehensive income**

Under Indian GAAP, the Company has not presented other comprehensive income (OCI) separately. Items that have been reclassified from statement of profit and loss to other comprehensive income include re-measurement of defined benefit plans (net of tax). An amount of INR 0.79 Lakhs is being reclassified from Profit or loss to Other Comprehensive Income during year 2015-16.

(b) Statement of cash flows

The transition from Indian GAAP to Ind AS has not had a material impact on the statement of cash flows.

There are no other adjustments to the amounts recognized as per Ind AS other than re-measurement of defined benefit obligations recognized on OCI. Hence, reconciliation statement required as per Para 24 of Ind AS 101 is not required.



Note No. 36

Financial Instruments - Accounting Classifications and Fair value measurements

The Fair value of cash and cash equivalents, other bank balances, loans, trade receivables, trade payables and others approximates their carrying amount. Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Fair Value Disclosure

(Rs. In Lakhs)

Particulars	Carrying Amount		
	As on 31.03.17	As on 31.03.16	As on 01.04.15
Financial Assets at amortised cost			
Trade Receivables	462.40	1070.03	528.72
Other Financial Assets	0.15	0.15	0.00
Cash and Cash Equivalents	103.71	0.51	0.39
Other Bank Balances	72.75	120.32	27.70
Loans	31.88	34.34	26.60
Financial Liabilities at amortised cost			
Borrowings	945.37	668.64	214.15
Trade Payables	990.36	1250.54	727.84
Other Financial Liabilities	140.05	156.69	80.82

Financial Risk Management

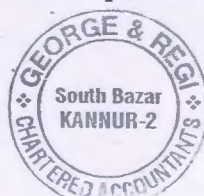
Objectives and Policies

The company's Financial risk management is an integral part of business strategies. The company's Financial Risk Management Policy is set by the Board of Directors. The Company is exposed to the following risks from its use of financial instruments:

Credit Risk

Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.



Financial Risk management - Credit Risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to INR 462.40 Lakhs and INR 1070.03 Lakhs as of March 31, 2017 and March 31, 2016 respectively. Trade receivables are typically unsecured and are derived from revenue earned from customers. Credit risk has always been managed by the Company through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

(Rs. In lakhs)

Particulars	31-Mar-17	31-Mar-16	01-Apr-15
Financial assets for which loss allowance is measured using 12 months Expected Credit Losses (ECL)			
Loans	31.88	34.34	26.60
Cash and Cash Equivalents	103.71	0.51	0.39
Other Bank Balances	72.75	120.32	27.70
Others	0.15	0.15	0.00
Financial assets for which loss allowance is measured using Life time Expected Credit Losses (ECL)			
Trade Receivables	462.40	1070.03	528.72

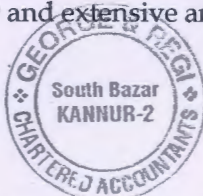
ii) Impairment losses

(a) Financial assets for which loss allowance is measured using 12 month expected credit losses

The company has assets where the counter-parties have sufficient capacity to meet the obligations and where the risk of default is very low. Accordingly, loss allowance for impairment has been recognized as disclosed later in this note under "Reconciliation of impairment loss provisions".

(b) Financial assets for which loss allowance is measured using life time expected credit losses

The company measures loss allowance on its trade receivables at lifetime expected credit loss in accordance with paragraph 5.5.15 of Ind AS 109. Further, Company believes that the unimpaired amounts that are past due by more than credit period allowed to customer are still collectible in full, based on historical payment behavior and extensive analysis of customer credit risk.



Reconciliation of impairment loss provisions

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

(Rs. In lakhs)

Particulars	Trade Receivables
Balance as at 1 April 2015	68.23
Impairment loss recognised	91.37
Amounts written off/ withdrawal	0.00
Balance as at 31 March 2016	159.60
Impairment loss recognised	80.35
Amounts written off/ withdrawal	0.00
Balance as at 31 March, 2017	239.95

Based on historic default rates, the Company believes that, apart from the above, no impairment allowance is necessary in respect of any other assets.

Credit risk on cash and cash equivalents is limited as we generally invest in deposits with banks and financial institutions with high credit ratings assigned by credit rating agencies.

Financial Risk Management - Liquidity risk

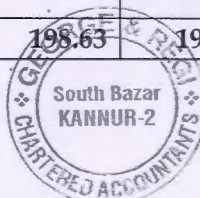
Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The company's principal sources of liquidity are cash and cash equivalents, balances with banks and the cash flow that is generated from operations. The company has no outstanding bank borrowings. The company believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived.

The following are the contractual maturities of non-derivative financial liabilities, based on contractual cash flows:

(Rs. In Lakhs)

Financial Liabilities	As at 31.03.17		As at 31.03.16		As at 01.04.15	
Non-derivative financial liabilities	Within 1 year	1-5 years	Within 1 year	1-5 years	Within 1 year	1-5 years
Trade payables	791.73	198.63	1103.73	146.81	710.16	17.68
Borrowings	945.37		668.64		214.15	
Other Payables/liabilities	140.05		156.69		80.82	
TOTAL	1877.15	198.63	1929.06	146.81	1005.13	17.68



Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Board of Directors has the primary responsibility to maintain a strong capital base and reduce the cost of capital through prudent management of deployed funds and leveraging opportunities in the markets so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to equity shareholders.

The Company monitors capital, using a medium term view and long term view, on the basis of a number of financial ratios generally used by industry and by the rating agencies. The Company is not subject to externally imposed capital requirements. The Company's capital structure is managed against the various financial ratios as required to maintain strong credit ratings.



Note No. 37**Segment reporting**

The Company is primarily in the business of manufacturing and sale of Alternators and DG Sets. Accordingly, the Company has considered "Operating Segment" as the primary segment and thus no business segment information is required to be disclosed as per Indian Accounting Standard (Ind AS)- 108 "Operating Segments".

The Company's Board of Directors have been identified as the Chief Operating Decision Maker ('CODM'), since they are responsible for all major decision w.r.t. the preparation and execution of business plan, preparation of budget, planning, alliance, joint venture, merger and acquisition, and expansion of any new facility.

Board of Directors reviews the operating results of "Manufacturing and sale of Alternators and DG Sets "at Company level to assess its performance. Accordingly, there is only one Reportable Segment for the Company which is "Manufacturing and sale of Alternators and DG Sets ", hence no specific disclosures have been made.

Entity wide disclosures

- A. Information about products and services: Company primarily deals in one business namely "Manufacturing and sale of Alternators and DG Sets ", therefore product wise revenue disclosure is not applicable.
- B. Information about geographical areas: The Company provides its products to customers which are domiciled in India only. Hence this disclosure is not applicable.
- C. Information about major customers (from external customers): The Company derives revenues from a customer (Indian Railway) which amount to 60.31 % per cent (previous year 70.54 %) of the entity's total revenues



Note No. 38

Disclosure in respect of employee benefits under Indian Accounting Standard (Ind AS) - 19 "Employee Benefits" are given below:

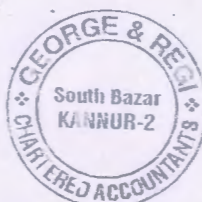
i) Defined Contribution Plan

Employers' contribution towards provident fund amounting to Rs. 69.10 lakhs (Previous year Rs. 64.73 lakhs) is recognized as an expense and included in Employee Benefit expenses **Note No. 28.**

ii) Defined Benefit Plan

Gratuity and Compensated absences -In accordance with Ind AS - 19, actuarial valuation was done and details of the same are given below:

Particulars	(Amount in Rupees)	
	Gratuity (Unfunded)	
	31-Mar-17	31-Mar-16
A. Change in the Present value of obligation		
Present value of obligation as at the beginning of the year	49,662,837	43,782,167
Current service cost	2,117,220	2,258,394
Interest cost	3,973,027	3,502,573
Amount recognized in profit or loss	6,090,247	5,760,967
Included in OCI:		
Re-measurement loss (gain):		
Actuarial loss (gain) arising from:		
Demographic assumptions		(2,073,076)
Financial assumptions	1,977,169	
Experience adjustment	(8,768,212)	2,192,779
Total amount recognised in other comprehensive income	(6,791,043)	119,703
Benefits paid	(1,726,544)	-
Present value of obligation as at the end of the year	47,235,497	49,662,837



(Amount in Rupees)

Particulars	Gratuity (Unfunded)		
	31-Mar-17	31-Mar-16	01-Apr-15
B. Amount recognised in the balance sheet (A)			
Short term provision	2,085,606	1,776,417	24,10,416
Long term provision	45,149,891	47,886,420	4,13,71,751

C. Actuarial Assumptions			
Economic assumptions:	31-Mar-17	31-Mar-16	01-Apr-15
Discount Rate (Per annum)	7.40%	8.00%	8.00%
Future Salary increase	5.50%	5.50%	5.50%
Demographic assumptions:			
Retirement Age (years)	60	60	60
Withdrawal Rate (%)-			
Up to 30 Years	3	3	3
From 31 to 44 years	2	2	2
Above 44 years	1	1	1
Mortality table	100% of IALM (2006-08)		

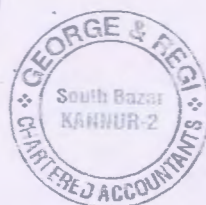
D. Sensitivity analysis

The sensitivity of the defined benefit obligation (gratuity) to changes in the weighted principal assumptions is:

(Amount in Rupees)

Particulars	31 March 2017		31 March 2016	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	(1,656,487)	1,749,759	(1,901,672)	2,012,044
Salary escalation rate (0.5% movement)	1,773,522	(1,693,317)	2,051,107	(1,954,459)

Sensitivities due to mortality & withdrawals are not material & hence impact of change not calculated. Sensitivities as to rate of inflation, rate of increase of pensions in payment, rate of increase of pensions before retirement & life expectancy are not applicable being a lump sum benefit on retirement.



E. Expected maturity analysis of the gratuity plan in future years

	31 March 2017	31 March 2016	1 April 2015
Apr 2015- Mar 2016		-	2,410,416
Apr 2016- Mar 2017	-	1,776,417	679,550
Apr 2017- Mar 2018	2,085,606	4,341,383	683,757
Apr 2018- Mar 2019	3,103,352	1,339,808	2,568,794
Apr 2019- Mar 2020	3,257,262	3,580,332	1,623,364
Apr 2020- Mar 2021	4,061,555	3,915,950	2,911,589
Apr 2021- Mar 2022	2,861,974	3,451,176	2,904,697
Apr 2022 onwards	31,865,748	31,257,771	
Total	47,235,497.00	49,662,837	43,782,167

(from Apr 2021 onwards)

Expected contributions to gratuity plans for the year ending 31 March 2018 are INR 57.72 Lakhs

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 9.45 years (31 March 2016: 10.02 years, 1 April 2015: 10.16 years).

F. Risk Exposure

Valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such company is exposed to various risks as follow-

- (a) **Salary Increases** - Actual salary increases will increase the Plan's liability. Increase in salary increase rate assumption in future valuations will also increase the liability.
- (b) **Investment Risk** - If Plan is funded then assets liabilities mismatch & actual investment return on assets lower than the discount rate assumed at the last valuation date can impact the liability.
- (c) **Discount Rate** - Reduction in discount rate in subsequent valuations can increase the plan's liability.
- (d) **Mortality & disability** - Actual deaths & disability cases proving lower or higher than assumed in the valuation can impact the liabilities.
- (e) **Withdrawals** - Actual withdrawals proving higher or lower than assumed withdrawals and change of withdrawal rates at subsequent valuations can impact Plan's liability.



Note No. 39

Disclosure as per Indian Accounting Standard - 12 on 'Income taxes'

Income Tax Expense

i) Income tax recognised in profit or loss

(Rs. In lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016
Current tax expense		
Current year		
Adjustment for current tax of prior periods		
	-	-
Deferred tax expense		
Deferred tax expense	(134.33)	(98.92)
	(134.33)	(98.92)
Total income tax expense	(134.33)	(98.92)

ii) Income tax recognized in other comprehensive income

(Rs. in lakhs)

Particulars	31 March 2017			31 March 2016		
	Before tax	Tax expense/ (benefit)	Net of tax	Before tax	Tax expense/ (benefit)	Net of tax
Net actuarial gains/(losses) on defined benefit plans	67.91	(23.50)	(44.41)	(1.20)	0.42	0.78
	67.91	(23.50)	(44.41)	(1.20)	0.42	0.78

iii) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate

(Rs. In lakhs)

Particulars	31 March 2017	31 March 2016
Profit before tax		
Tax using the Company's domestic tax rate of 34.608% (31 March 2016 - 34.608%)	(169.23)	(132.24)
Tax effect of:		
Non-deductible tax expenses	34.90	33.32
Tax-exempt income		
Others		
Tax as per Profit and loss account for current year	(134.33)	(98.92)

Refer Note 39.1



BHEL Electrical Machines Limited**39.1****Deferred Tax Income/Asset**

(₹in lakhs)

	For the year ended 31-03-2017	For the year ended 31-03-2016
Profit/(Loss) as per the Profit and loss account	-513.59	-397.31
Add		
Depreciation as per accounts	95.49	95.77
Less Depreciation as per Income tax Rules	<u>70.89</u>	<u>80.57</u>
Net Loss	-488.99	-382.11
Less		
Provision for Liquidated damages	79.19	69.89
Provision related to PL encashment-created during the year	-2.71	3.24
Employee related provisions (bonus)	24.36 100.84	<u>23.14</u> 96.27
Income as per Income tax	-388.15	-285.84
Tax Income/Deferred tax Asset	-134.33	-98.92



Note No. 40

1. Disclosure as per MCA NOTIFICATION NO. GSR 308(E) [F.NO.17/62/2015-CL-V-(VOL.I)], DATED 30-3-2017

Details of Specified Bank Notes (SBN) held and transacted during the period from 8th November, 2016 to 30th December, 2016

(Amount in INR)

PARTICULARS	SPECIFIED BANK NOTES	OTHER DENOMINATION NOTES	TOTAL
Closing Cash in Hand as on 08.11.2016	142500.00 (500x167, 1000x59)	276.00 (100x1, 10x17, 1x6)	142776.00
(+) Permitted Receipts	0.00	1354261.00	1354261.00
(-) Permitted Payments	0.00	1325046.00	1325046.00
(-) Amount Deposited in Bank	142500.00 (500x167, 1000x59)	0.00	142500.00
Closing Cash in Hand as on 30.12.2016	0.00	29491.00 (2000x13, 100x14, 50x7, 20x60, 10x54, 1x1)	29491.00

2. Short term Borrowings (Note No.18) comprises of Cash credit of Rs. 603.70 lakhs from State Bank of India and working capital loan of Rs.300 lakhs from BHEL along with accrued interest.

The loan from BHEL was received on 21.08.2015 which was originally payable to BHEL on 31.03.2016 along with interest at the rate of 9.25% per annum. The repayment date was extended to 31.03.2017 on our request in the year 2015-16. However, as per the present financial condition, company is not in a position to repay the loan this year also and hence requested BHEL to extend the said facility till 31.03.2018. An amount of Rs.1703014.00 and Rs.2927445.00 has been accounted as accrued interest for the year 2015-16 and 2016-17 respectively and the applicable TDS on interest has been deducted and paid to IT authorities.

3. Trade payable includes

(Amount in Rupees)

SI No	Item	Current Year 2016-17	Previous year 2015-16
a	Stale Cheques	17709.00	17709.00
b	Amount due to MSME (SSI Units)	11448388.00	9816594.00
c	Retention from vendors	7155627.00	7246736.00

4. Trade payables are classified as current and non-current as per the requirement of the Companies Act 2013 as detailed below.



(Rs. In Lakhs)

Trade payables	Total dues	Non-Current	Current
		Note No.16	Note No.19
For Goods and Services		124.00	723.73
Outstanding bills		14.08	57.00
Retention from Bills		60.55	11.00
Total		198.63	791.73

5. The company has paid an amount of Rs.20070013.00 as adhoc advance to the workmen against revision of wages. Once the wage revision gets finalized, the adhoc advance has to be adjusted against the arrears payable. In view of this, an equivalent provision of Rs.20070013.00 made in the books of accounts as provision for wage revision arrears. This amount is included in other employee benefits under short term provisions (Note No.13)
6. The impact on the profit of providing 100 percent depreciation on fixed assets up to Rs.10000 each, without considering such impact of earlier years is as under

(Amount in Rupees)

Particulars	2016-17	2015-16
100% depreciation on assets up to Rs.10000 charged off in the accounting year	169265.00	248283.00
Normal depreciation on the above	20131.00	39273.00
Excess amount charged off	149134.00	209010.00

7. Balances under debtors, creditors, deposits, materials lying with sub-contractors/fabricators are reconciled and letter of confirmation has been obtained wherever possible. In all other cases, reconciliation is carried out on an ongoing basis & provisions wherever considered necessary have been made in line with the guidelines.
8. The balances under trade receivables as per books of accounts are segregated as current and non-current as detailed below.

(Rs. In Lakhs)

Trade receivables	Amount	Non-Current	Current
Sundry Debtors	621.39	280.16	341.23
Deferred Debts	80.96	19.64	61.32
Less Provision			
Bad and doubtful debts	39.48	38.32	1.16
LD	200.46	121.28	79.19
Net	462.40	140.20	322.20

9. Revenue is recognized only when the significant risks and rewards of ownership have been transferred to the customer. Accordingly, sale in transit of Rs. 327.86 lakhs where the transportation is within the scope of the Company (FOR destination basis) is considered as finished goods, as the risks and rewards of ownership have not been

transferred to the customer. Finished Goods in respect of sale in transit have been valued at cost considering all the expenses incurred till the last day of the reporting period.

10. Travelling expenses – to Directors (Including the Managing Director)

(Amount in Rupees)

Year	2016-17	2015-16
Managing director	21287.00	36735.00
Other Directors	114369.00	164912.00

11. Contingent liabilities:-

a. Claims against the company not acknowledged as debt/deductible.

(Rs. In Lakhs)

Sl.	ITEMS	2016-17	2015-16
1	Retention on account of liquidated damages		
2	Retention on account of price fall clause		
3	Retention by various Railways on statutory rate variation clause and other reasons		
4	Amount of ad hoc recoverable advance paid to workmen.		
	Total	NIL	NIL

b. Details of letter of credit established in favour of suppliers pending clearance as on 31-03-2017 is Rs. 398.87 lakhs. Out of the above, goods worth Rs.389.30 lakhs were received, accounted and reflected in the trade payable account.

c. Details of bank guarantees issued, pending as on 31-03-2017 is Rs.70.40 lakhs.

d. Bills routed through bank by suppliers pending clearance as on 31-03-2017 is **NIL**.

12. Related party transactions : Disclosure as per Ind AS -24

A. Related party where control exists

Name of related party : Bharat Heavy Electricals Limited
Nature of relationship : Holding Company

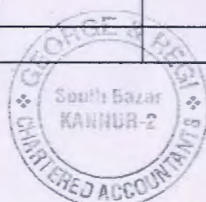
B. Other related parties (Key management personnel)

1. Shri. S. Basu Managing Director (Nominee of BHEL)

Transactions with the related party

(Amount in Rupees)

Sl No	Nature of transaction	Holding company	Key Managerial Personnel
1	Sale of goods & Services	5971622.00	0.00
2	Amount due from	12008897.00	0.00
3	Advance against orders	3812028.00	0.00
4	Salaries and others	0.00	0.00



Two Engineers and the KMP (Shri. S. Basu, Managing Director) are on deputation from BHEL and their salaries and perks are being paid from the holding company.

13. Miscellaneous expenses furnished under note 30 includes

A. Payment to Auditors

(Amount in Rupees)

Particulars	2016-17	2015-16
a. Statutory audit fees	31000.00	31000.00
b. Tax audit fees	15000.00	12500.00
c. VAT audit fees	7500.00	7500.00

B. Others

(Amount in Rupees)

Particulars	2016-17	2015-16
a. Guest /Guest house expenses	51754.00	73238.00

C. Expenditure on Rent

(Amount in Rupees)

Particulars	2016-17	2015-16
a. Guest House (Net)	203721.00	170856.00
b. Recreation Club	9279.00	24000.00

D. Break up details on repairs and maintenance

(Amount in Rupees)

Particulars	2016-17	2015-16
a. Building	2963.00	28162.00
b. Plant & Machinery	208728.00	614860.00
c. Others	120889.00	339037.00

E. Remuneration paid to the Directors (including the Managing Director)

- a. Salaries and allowances : NIL
- b. Contribution to PF : NIL
- c. Contribution to Gratuity : NIL
- d. Sitting fees : Rs.48000.00

The Managing Director is permitted to avail the company's vehicle for his private use on chargeable basis as per the rules of the company subject to DPE guidelines.



BHEL Electrical Machines Limited



14. QUANTITATIVE DETAILS - PRODUCTION, SALES AND CLOSING STOCK

(₹ in lakhs)

ITEM	O P STOCK		PRODUCTION		SALES		CLSTOCK	
	QTY	VALUE	QTY (Nos)	VALUE	QTY (Nos)	VALUE	QTY (Nos)	VALUE
BAGP upto 110 KVA	6	4.66	60	63.89	64	66.90	2	1.65
BAGP above 110 KVA	12	48.82	7	36.53	18	82.96	1	2.39
25 KW Train lighting Alternators	3	7.21	81	185.31	77	178.74	7	13.78
Special Alternators/ Aux Alternators	9	33.99	1	0.39	1	3.75	9	30.63
DG Set for SPART	2	33.55	10	115.12	10	135.85	2	12.82
570 KVA DG Set for Power Car	9	115.57	63	2132.87	72	2248.44	0	0.00
Induction Motors	2	5.01	13	14.97	13	14.98	2	5.00
RRU	10	7.30	26	23.31	19	20.28	17	10.33
General Spares				41.82		41.82		
Services & Installation				106.47		106.47		
GSOS			21	137.15	21	137.15		
Finished Goods (in transit)								287.02
ED		32.01				175.59		22.44
Gross turnover	53.00	288.12	282.00	2857.83	295.00	3212.93	40.00	386.07



BHEL Electrical Machines Limited

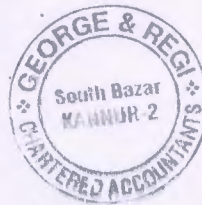


15.

CONSUMPTION OF IMPORTANT RAW MATERIAL

(₹in lakhs)

ITEM	UNIT	OP STOCK		PURCHASES		CLOSING STOCK		CONSUMPTION	
		QTY	VALUE	QTY	VALUE	QTY	VALUE	QTY	VALUE
LAMINATION	KGS	16845.00	20.04	48159.00	59.87	15776.30	18.07	49529.70	63.26
	Nos	630.00	2.68			328.00	1.26		
DIESEL ENGINE	NOS	2.00	34.56	77.00	1369.72	0.00	0.00	79.00	1404.28
COPPER	KGS	6674.71	30.91	19710.00	54.91	2718.22	12.49	23666.49	73.69
		3955.08	2.33			3873.49	1.97		
STEEL&ALUMINIUM	KGS	22972.00	10.58	41614.00	18.21	8223.44	3.63	56362.56	25.16
	Nos								
CASTING	BULK		11.88		65.24		16.24	0.00	60.88
BEARINGS&OTHERS	BULK		18.63		177.63		30.01	0.00	166.25
CONTROL PANEL	NOS				0.89			0.00	0.89
GENERATORS	NOS			18.00	81.56			18.00	81.56
TORROIDAL CORE	* NOS	486.00	14.29					486.00	14.29
OTHERS			60.70		494.02		77.93	0.00	476.79
			206.60		2322.05		161.59		2367.06



BHEL Electrical Machines Limited

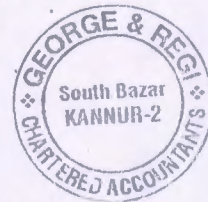


16.

CONSUMPTION OF IMPORTED AND INDIGENOUS MATERIALS

(₹ in lakhs)

<u>RAW MATERIALS:</u>	For the year 2016-2017		For the year 2015-16	
IMPORTED	0.00%	0.00	0.00%	0.00
INDIGENOUS	100.00%	2361.68	100.00%	2852.51
TOTAL		2361.68		2852.51
<u>STORES AND SPARE PARTS</u>				
IMPORTED		0.00		0.00
INDIGENOUS		5.38		12.44
TOTAL		5.38		12.44
TOTAL CONSUMPTION		2367.06		2864.95
<u>CIF VALUE OF IMPORTS</u>				
RAW MATERIALS		0.00		14.29
CAPITAL GOODS				



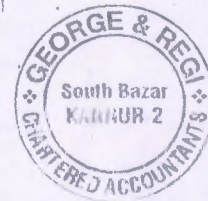
BHEL Electrical Machines Limited



17.

CAPACITY

SL NO	CLASS OF GOODS	LICENCED CAPACITY	INSTALLED CAPACITY	PRODUCTION
1	BRUSHLESS ALTERNATORS FOR GENERAL PURPOSE	Standard 90 KVA 3000 Numbers -Equivalent to 270000 KVA	135000 KVA (Or 1500 Nos of standard 90 KVA)	282 Nos (Alternators, DG Sets, TLA and Auxiliary Alternators



INDEPENDENT AUDITORS REPORT

TO THE MEMBERS OF BHEL ELECTRICAL MACHINES LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **BHEL ELECTRICAL MACHINES LIMITED**, which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.



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. 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 financial statements.

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 March 31, 2017
- b) in the case of the Statement of Profit and Loss, of the Loss for the year ended on that date and
- c) in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- 1. As required by the Companies (Auditor's 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 the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order.
- 2. As per directions issued by the Comptroller and Auditor General of India, in pursuance to section 143(5) of the Act, we give in the Annexure B, a statement on the matters specifically so directed.
- 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;
 - (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 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) on the basis of the written representations received from the directors as on 31 March, 2017 taken on record by the Board of Directors, none of the director is disqualified as on 31 March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
 - (f) with respect to the adequacy of internal financial controls over financial reporting of the company and the operating effectiveness of such controls, refer to our separate report in Annexure C; and



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

- i. the company does not have any pending litigations which would impact its financial position.
- ii. the company does not have any long term contracts including derivative contracts on which there are any material foreseeable losses and
- iii. there were no amounts required to be transferred to the Investor Education and Protection Fund by the company.
- iv. the company has provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and they are in accordance with the books of accounts maintained by the company.

Place : Kannur

Date : 04/05/2017



For **GEORGE & REGI**
Chartered Accountants
Firm Regn. No: 009022S

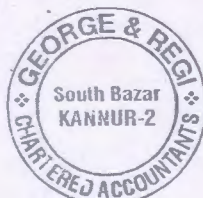
A handwritten signature in blue ink, appearing to be "P. J. Regi".

P. J. REGI F.C.A. D.L.B.A (ICA)
(Partner)
Membership No. 209836

BHEL ELECTRICALS MACHINES LIMITED
Annexure A to the Auditors Report

The Annexure referred to in our report to the members of BHEL ELECTRICAL MACHINES LIMITED for the year ended 31st March 2017. We report that :

- (i) a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) As explained to us, all the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.
- c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) The inventory has been physically verified at reasonable intervals during the year by the management and no material discrepancies have been noticed.
- (iii) As informed, the company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- (iv) In our opinion and according to the information and explanations given to us, the company has not given any loan or made any investments or given any guarantee or security on which the provisions of the sections 185 and 186 of the Companies Act, 2013 applies.
- (v) The company has not accepted any deposit from the public.
- (vi) The company has maintained the cost records prescribed by the central government u/s 148(1) of the Companies Act 2013.



- (vii) a) The company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other statutory dues to the appropriate authorities.

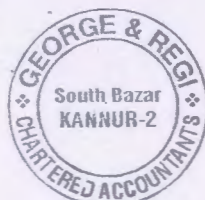
According to the information and explanation given to us, no undisputed amounts payable in respect of aforesaid dues were in arrears, as at March 31, 2017 for a period of more than six months from the date on which they became payable.

- b) According to the information and explanation given to us, there are no dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax that have not been deposited on account of any dispute.

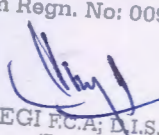
- (viii) According to the information and explanation given to us, the company has not defaulted in the repayment of loans or borrowing to a financial institution, bank, Government or dues to debenture holders.
- (ix) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year.
- (x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- (xi) According to the information and explanations given to us, the company has not paid any managerial remuneration.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

Place : Kannur

Date : 04/05/2017



For **GEORGE & REGI**
Chartered Accountants
Firm Regn. No: 009022S


P. J. REGI F.C.A., D.I.S.A (ICA)
(Partner)
Membership No. 209836

BHEL ELECTRICALS MACHINES LIMITED

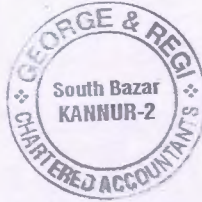
Annexure B to the Auditor's Report

The Annexure referred to in our report to the members of BHEL ELECTRICALS MACHINES LIMITED for the year ended on 31st March, 2017 in pursuance to the directions issued by C&AG under section 143(5) of the Companies Act, 2013. We report that:

1	Whether the company has clear title/lease deed for freehold and leasehold land respectively? If not, please state the area of freehold and leasehold land for which title/lease deeds are not available.	Yes. The companies is having clear title deed for its freehold land. The company does not have any leasehold land.
2	Whether there are any case of waiver/write off of debt/loans/interest etc.If yes, the reasons therefore and the amount involved.	No
3	Whether proper records are maintained for inventories laying with third parties & assets received as gift/grant(s) from Government or other authorities .	Yes. The company is maintaining proper records for inventories laying with third parties. The company has not received any asset as gift / grant(s) from Government or other authorities

Place : Kannur

Date : 04/05/2017



For **GEORGE & REGI**
Chartered Accountants
Firm Regn. No: 009022S


P. J. REGI F.C.A., D.L.S.A (ICA)
(Partner)
Membership No. 209836

Annexure - C to the Auditors' Report

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

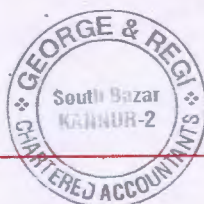
We have audited the internal financial controls over financial reporting of BHEL ELECTRICALS MACHINES LIMITED ("the Company") as of 31 March 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on 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 (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

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

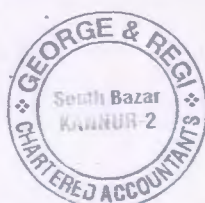


Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's 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 is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's 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 is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised 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

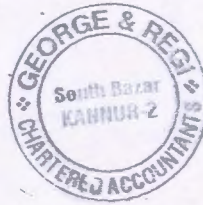
Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal 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.



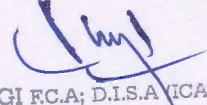
Opinion

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 31 March 2017, 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.

Place : Kannur
Date : 04/05/2017



For GEORGE & REGI
Chartered Accountants
Firm Regn. No: 009022S


P. J. REGI FCA; D.I.S.A (ICA)
(Partner)
Membership No. 209836