

# BHEL ELECTRICAL MACHINES LIMITED



BALANCE SHEET AS AT 31-03-2016

(₹ in lakhs)

Particulars	Note No	As at 31-03-2016	As at 31-03-2015
<b>I. Equity and Liabilities</b>			
<b>(1) Share holder's Fund</b>			
a. Share Capital	1	1050.00	1050.00
b. Reserves and Surplus	2	-893.46	-595.07
		156.54	454.93
<b>(2) Non-current liabilities</b>			
(a) Long-term borrowings			
(b) Deferred tax liabilities (Net)			
(c) Other long term liabilities	3	146.81	17.68
(d) Long term provisions	4	512.90	441.38
		659.71	459.06
<b>(3) Current Liabilities</b>			
(a) Short-term borrowings	5	668.64	214.15
(b) Trade payables	6	1103.73	710.16
(c) Other current liabilities	7	234.80	193.32
(d) Short-term provisions	8	171.97	131.78
		2179.14	1249.41
<b>TOTAL</b>		<b>2995.39</b>	<b>2163.40</b>
<b>II. ASSETS</b>			
<b>(1) Non Current Assets</b>			
(a) Fixed Assets			
(i) Tangible assets	9	622.86	710.69
(ii) Intangible assets			
(iii) Capital work-in-progress		622.86	710.69
b) Non Current Investments			
c) Deferred tax assets	10	347.76	248.84
d) Long term loans & advances	11	3.47	8.95
e) Other non current assets	12	95.08	63.60
		446.31	321.39
<b>(2) Current assets</b>			
(a) Current investments			
(b) Inventories	13	629.04	529.55
(c) Trade receivables	14	974.95	465.12
(d) Cash and cash equivalents	15	120.83	28.09
(e) Short term loans and advances	16	201.40	108.56
(f) Other current assets		1926.22	1131.32
<b>TOTAL</b>		<b>2995.39</b>	<b>2163.40</b>

Significant accounting policies

Other notes to financial statements

28

The accompanying Notes 1 to 28 and significant accounting policies form an integral part of the financial statements

For and on behalf of Board of Directors

(Vinod M)

Head - Finance

(Ram Kumar Mishra)

Company Secretary

(Ajit Kumar Patnaik)

Director

(S Basu)

Managing Director

As per our report of even date attached



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

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

10th May - 2016

# BHEL ELECTRICAL MACHINES LIMITED



Statement of Profit & Loss Account for the year ended 31-03-2016

(₹ in lakhs)

Particulars	Note No	Figures as at the end of 2015-2016	Figures as at the end of 2014-2015
<b>I. Revenue from operations (Gross)</b>	17	4095.59	2187.67
Less: Excise duty		228.56	146.39
Less: Service Tax		10.38	6.22
		<b>3856.65</b>	<b>2035.06</b>
<b>II. Other operational income</b>	18	82.96	7.77
<b>III. Other income</b>	19	8.51	2.47
<b>TOTAL REVENUE (I to III)</b>		<b>3948.12</b>	<b>2045.3</b>
<b>IV. Expenses</b>			
Consumption of material, erection and engineering expenses	20	3109.58	1528.56
Accretion/(decretion) to WIP & FG	21	-44.01	-122.38
Employee benefits expenses	22	759.80	759.29
Other expenses of manufacture, administration, selling and distribution	23	217.51	151.28
Provisions (net)	24	156.04	126.55
Finance costs	25	50.58	26.44
Depreciation & amortisation expense	9.1	95.77	102.25
Less: Cost of jobs done for internal use			
Total expenses		<b>4345.27</b>	<b>2571.99</b>
<b>V. Profit / (loss) before prior period adjustments exceptional items and tax</b>		<b>-397.15</b>	<b>-526.69</b>
Prior period adjustments (Net)	26	-0.16	-18.17
less tax expenses/(Tax Income)	27	-98.92	-148.43
<b>VI. Profit (loss) for the period from continuing operations</b>		<b>-298.39</b>	<b>-396.43</b>

Significant accounting policies

Other notes to financial statements

28

The accompanying Notes 1 to 28 and significant accounting policies form an integral part of the financial statements

For and on behalf of Board of Directors

(Vinod M)

Head (Finance)

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10<sup>th</sup> May - 2016



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



# BHEL ELECTRICAL MACHINES LIMITED



## Cash flow statement for the year ended 31-03-2016

(₹ in lakhs)

	2015-2016	2014-2015
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit (loss)	-397.31	-544.86
adjustment for		
Depreciation	95.77	102.25
Provision for doubtful debts	-31.48	-63.6
deferred revenue expenditure		
Provisions (Long term)	200.65	106.59
Interest Expenditure		
<b>Total</b>	<b>-132.37</b>	<b>-399.62</b>
<b>Adjustments for</b>		
(increase)/ decrease in trade & other receivables	-597.19	720.79
(increase)/ decrease in inventories	-99.49	-96.93
Increase/ (Decrease) in Trade and other payments	475.24	-231.94
<b>Net Cash flow from operating Activities</b>	<b>-221.44</b>	<b>391.92</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of assets		
Interest received		
(Purchase of fixed assets)	-7.94	-34.95
<b>Net Cash from investing Activities</b>	<b>-7.94</b>	<b>-34.95</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase/ (Decrease) in long term borrowing		
Increase/ (Decrease) in short term borrowing	454.49	20.54
<b>Net cash from financing activities</b>	<b>454.49</b>	<b>20.54</b>
<b>Net Increase / (Decrease) in cash / Cash equivalents</b>	<b>92.74</b>	<b>-22.11</b>
Opening Cash balance	28.09	50.20
<b>Cash / Cash equivalents at the end of the period</b>	<b>120.83</b>	<b>28.09</b>

(Vinod M)

Head (Finance)

(Ram Kumar Mishra)

Company Secretary

For and on behalf of Board of Directors

(Ajit Kumar Patnaik)

Director

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Managing Director

As per our report of even date attached

10<sup>th</sup> May - 2016



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 ELECTRICAL MACHINES LIMITED



## NOTE 1 - SHARE CAPITAL

(₹in lakhs)

	As at 31-03-2016	As at 31-03-2015
<b>Authorised</b>		
15000000 numer of shares @Rs.10/- each	<u>1500.00</u>	1500.00
<b>Issued,subscribed and paid up capital</b>	<b>1050.00</b>	<b>1050.00</b>
10500000 shares @10/- fully paid up		
(BHEL and its nominees holding - 5355000 @ 10/- each - 51% -( Previous year 5355000 shares @10/- each)		
Government of Kerala and its nominees holding - 5145000 shares @10 each - 49%- (Previous year Government of Kerala and its nominees holding 5145000 shares @10/- each)		
	<u>1050.00</u>	<u>1050.00</u>

## NOTE 2 - RESERVES & SURPLUS

(₹in lakhs)

	As at 31-03-2016	As at 31-03-2015
<b>Profit / Loss for the year</b>		
(Statement of Profit & Loss)	-298.39	-396.43
Balance of profit (loss) brought forward from last year	-595.07	-198.64
Foreign project reserves written back		
Distribution of Income tax, dividend etc of last year to units		
<b>Profit available for appropriation</b>	<u>-893.46</u>	<u>-595.07</u>

## NOTE 3 - OTHER LONG TERM LIABILITIES

(₹in lakhs)

	As at 31-03-2016	As at 31-03-2015
Trade payable (non-Current)	146.81	17.68
Includes stale cheques for Rs.17709/- includes retention from bills exceeding a period of 12 months		
	<u>146.81</u>	<u>17.68</u>





# BHEL ELECTRICAL MACHINES LIMITED



## NOTE 4 - LONG TERM PROVISIONS

(₹in lakhs)

	As at 31-03-2016	As at 31-03-2015
Contractual Obligation - Long term		
<u>Provision for employee benefits</u>		
Leave benefits accrued - Long term	34.04	27.66
Gratuity accrued - Long term	478.86	413.72
Other long-term provisions		
	<u>512.90</u>	<u>441.38</u>

## NOTE 5- SHORT TERM BORROWINGS

(₹in lakhs)

	As at 31-03-2016	As at 31-03-2015
<b>Secured</b>		
<b>Loans &amp; advances from banks</b>		
Cash credit (Cr. balance)		
(secured by hypothecation of fixed assets, raw materials, components, stores & spares, work-in-progress, finished goods, book debts and other current assets)	353.31	214.15
<b>Unsecured</b>		
- from Companies	315.33	
	<u>668.64</u>	<u>214.15</u>

## NOTE 6- TRADE PAYABLES

(₹in lakhs)

	As at 31-03-2016	As at 31-03-2015
Trade Payables	1103.73	710.16
(Disclosure on micro and small enterprises is		
Given in item No.3(b) Of Note No.28	<u>1103.73</u>	<u>710.16</u>



# BHEL ELECTRICAL MACHINES LIMITED



## NOTE 7 - OTHER CURRENT LIABILITIES

(₹in lakhs)

	As at 31-03-2016	As at 31-03-2015
Advances received from customers & others	78.11	112.5
Deposits from Contractors & others	28.28	19.85
Other payables/ liabilities	128.41	60.97
	<b>234.80</b>	<b>193.32</b>

## NOTE 8 - SHORT TERM PROVISIONS

(₹in lakhs)

	As at 31-03-2016	As at 31-03-2015
<u>Provision for employee benefits</u>		
Leave encashment	2.85	2.52
Gratuity	17.76	24.1
Other Employee Benefits	137.00	105.16
<u>Other short term provision</u>		
Unrealised margin on Sale	14.36	14.36
(As per AS 9)	<b>171.97</b>	<b>131.78</b>

## NOTE 9 - FIXED ASSETS

(₹in lakhs)

	As at 31-03-2016	As at 31-03-2015
<b>(i) Tangible assets</b>		
Gross block	1092.04	1100.39
Less: Accumulated depreciation	-469.18	-382.23
Less: Accumulated impairment	0.00	-7.47
Less: Lease adjustment account		
Net Block	<b>622.86</b>	<b>710.69</b>

Refer for details in Note No.9.1







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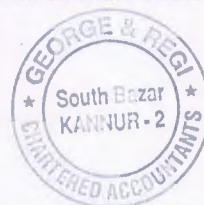
## BHEL ELECTRICAL MACHINES LIMITED

### Note 9.1

### FIXED ASSETS AS ON 31-03-2016

(₹ in lakhs)

SLNO	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as on 01-04-15	Additions / Adjustments during the year	Deductions / Adjustments during the year	Total Cost as on 31-03-2016	Depreciation as on 01-04-2015	Depreciation During the year	Deductions / Adjustments during the year	Depreciation upto 31-03-2016	As on 31-03-2016	As on 31-03-2015
1	Freehold land(including development expenses)	31.15			31.15					31.15	31.15
2	Buildings	337.43			337.43	44.07	9.86		53.93	283.50	293.36
3	Plant & Machinery	681.18	14.12	23.21	672.09	315.40	79.54	8.82	386.12	285.97	358.31
4	Electronic Data Processing Equipment	5.43	0.20		5.63	4.71	0.74		5.45	0.18	0.72
5	Electrical Installations	33.83			33.83	11.96	3.31		15.27	18.56	21.87
6	Vehicles	0.44			0.44	0.15	0.05		0.20	0.24	0.29
7	Furniture & fixtures	0.12			0.12	0.03	0.09		0.12	0.00	0.09
8	Office and Other equipments	7.90			7.90	3.00	1.64		4.64	3.26	4.90
9	Fixed Assets costing upto Rs.10,000/-	2.91	0.53		3.44	2.91	0.53		3.44	0.00	0.00
	TOTAL	1100.39	14.85	23.21	1092.03	382.23	95.77	8.82	469.19	622.85	710.69



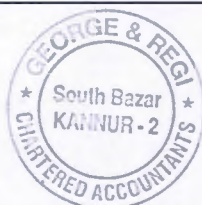
# BHEL ELECTRICAL MACHINES LIMITED



NOTE 10 - DEFERRED TAX ASSETS		(₹in lakhs)
	As at 31-03-2016	As at 31-03-2015
Provisions	248.84	100.41
Addition for the year*	98.92	148.43
	<u>347.76</u>	<u>248.84</u>
*Refer workings in Note No.27		

NOTE 11 LONG TERM LOANS & ADVANCES		(₹in lakhs)
	As at 31-03-2016	As at 31-03-2015
Advance tax		
Interest accrued on Advance tax		
TDS	3.32	8.95
Cash Deposit with KSEB	0.15	
	<u>3.47</u>	<u>8.95</u>

NOTE 12 -OTHER NON CURRENT ASSETS		(₹in lakhs)
	As at 31-03-2016	As at 31-03-2015
Long term Trade Receivables	254.68	131.83
Less provision for bad and doubtful Debts	38.32	16.84
Less provision for LD	121.28	51.39
	<u>159.60</u>	<u>68.23</u>
	<u>95.08</u>	<u>63.60</u>
Particulars of Trade recivables		
Considered Good	95.08	63.60
Bad and doubtful	159.60	68.23
Total	<u>254.68</u>	<u>131.83</u>





# BHEL ELECTRICAL MACHINES LIMITED



## NOTE 13 - INVENTORIES

(₹in lakhs)

	As at 31-03-2016		As at 31-03-2015	
<b>Stores &amp; spare parts</b>				
Production	3.31		2.5	
Fuel stores				
Miscellaneous		3.31		2.5
Raw material & components	203.29		150.31	
Material-in-transit	1.95	205.24	0.26	150.57
Scrap (at estimated realisable value)				
Finished goods		288.12		249.71
Work-in-progress		134.88		129.28
Less provision for non moving inventory	2.51	-2.51	2.51	-2.51
		<u>629.04</u>		<u>529.55</u>

## NOTE 14 TRADE RECEIVABLES

(₹in lakhs)

	As at 31-03-2016		As at 31-03-2015	
Debts outstanding for a period exceeding six months		35.32		56.19
Other debts		939.63		408.93
		974.95		465.12
Less : Provision for bad & doubtful debts and automatic price reduction adjustment		0.00		
Trade receivables includes		974.95		465.12
<i>Deferred Debts: Rs.89.21 Lacs &amp; Goods despatched pending billing Rs.413.42 Lacs</i>				
Particular of trade receivables				
Secured considered good		974.95		465.12
Unsecured considered good				
Doubtful		0.00		0.00
		<u>974.95</u>		<u>465.12</u>



# BHEL ELECTRICAL MACHINES LIMITED



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## NOTE 15 - CASH & CASH EQUIVALENTS

(₹in lakhs)

	As at 31-03-2016	As at 31-03-2015
Cash & Stamps in on hand	0.21	0.15
Cheques, Demand Drafts on hand		
Remittances in transit		
<b>Balances with Scheduled Banks</b>		
Current Account	0.30	0.24
Deposit Account		
Margin money on LC	120.32	27.70
Accrued interest		
Deposits more than 12 months maturity period		
	<b>120.83</b>	<b>28.09</b>

## NOTE 16 - SHORT TERM LOANS AND ADVANCES

(₹in lakhs)

	As at 31-03-2016	As at 31-03-2015
<b>Advances (Recoverable in cash or in kind or for value to be received)</b>		
To subsidiaries		
To employees	139.54	74.95
For purchases	0.53	0.17
To Others	26.99	6.84
	<b>167.06</b>	<b>81.96</b>
<b>Deposits</b>		
Balance with customs, Port Trust and other Govt Authorities	0.04	0.04
Others	34.30	26.56
Advance Tax/TDS (Net of Provision for Taxation)	<b>34.34</b>	<b>26.60</b>
	<b>201.40</b>	<b>108.56</b>
<b>Particulars of Loans and advances:-</b>		
Secured, considered good		
Unsecured, considered good	201.40	108.56
Doubtful		





# BHEL ELECTRICAL MACHINES LIMITED



## NOTE 17 - REVENUE FROM OPERATIONS

(₹in lakhs)

	For the year ended 31-03-2016	For the year ended 31-03-2015
Sales less returns	3856.08	2020.52
Income from external erection & other services	239.51	167.15
Revenue from Works Contract		
Assets given on Finance lease	4095.59	2187.67

## NOTE 18 - OTHER OPERATIONAL INCOME

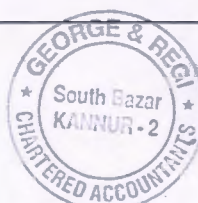
(₹in lakhs)

	For the year ended 31-03-2016	For the year ended 31-03-2015
Export Incentives		
Rental income on leased assets		
Lease equalisation account		
Finance income on assets given on finance lease		
Scrap sale	5.26	7.77
Others	77.70	
Receipt from sale/transfer of surplus stock	82.96	7.77

## NOTE 19 - OTHER INCOME

(₹in lakhs)

	For the year ended 31-03-2016	For the year ended 31-03-2015
From customers		
From employees		
From banks- Interest on TDR -	5.15	2.47
Exchange variation ( Cr. Balance)	0.01	
Interest on Advance tax/TDS		
From Investments (Current- Other than trade)		
Misc receipts	3.35	
	8.51	2.47



# BHEL ELECTRICAL MACHINES LIMITED



## NOTE 20-CONSUMPTION OF MATERIAL, ERECTION & ENGINEERING EXPENSES

(₹in lakhs)

	For the year ended 31-03-2016	For the year ended 31-03-2015
Consumption of raw material & components	2852.51	1368.36
Consumption of stores & spares	12.44	10.14
Erection and Engineering exp. - payment to subcontractors	244.63	150.06
	<b>3109.58</b>	<b>1528.56</b>

## NOTE 21- ACCRETION/(DECRETION) TO WIP & FG

(₹in lakhs)

	For the year ended 31-03-2016	For the year ended 31-03-2015
<b>Work -in -progress</b>		
Closing Balance	134.88	129.28
Opening Balance	129.28	137.00
<b>Finished Goods</b>		
Closing Balance	288.12	249.71
Opening Balance	249.71	119.61
	<b>44.01</b>	<b>122.38</b>
<b>NOTE:</b>		
Element of Excise duty in Finished goods		
Closing balance	32.01	27.75
Opening balance	27.75	11.17

## NOTE 22- EMPLOYEE BENEFITS

(₹in lakhs)

	For the year ended 31-03-2016	For the year ended 31-03-2015
Salaries, wages, bonus, allowances & other benefits	552.78	513.52
Contribution to gratuity fund		
Contribution to provident and other funds	123.54	168.09
Staff welfare expenses	83.48	77.68
	<b>759.80</b>	<b>759.29</b>





## BHEL ELECTRICAL MACHINES LIMITED



### NOTE 23 - Other expenses of Manufacturing, Administration, Selling & Distribution

(₹in lakhs)

	For the year ended 31-03-2016	For the year ended 31-03-2015
Rent: Residential	1.95	1.95
Excise duty (On FG and scrap)	4.80	17.40
Power & Fuel	41.38	41.08
Rates & Taxes	4.73	7.44
Service tax (GTA outwards)	0.73	0.48
Insurance	2.60	2.24
Repairs	10.25	8.37
Carriage outward	56.52	18.38
Travelling & conveyance (Including TA/DA to Directors :- Rs.2.02 Lakhs)	12.69	10.85
Miscellaneous expenses	81.86	43.09
Liquidated damages charged off		
	<b>217.51</b>	<b>151.28</b>

### NOTE 24: PROVISIONS

(₹in lakhs)

	For the year ended 31-03-2016	For the year ended 31-03-2015
<b>Doubtful debts ,Liquidated Damages and Loans &amp; advances</b>		
Created during the year	91.38	51.39
Less written back during the year	<b>91.38</b>	<b>51.39</b>
<b>Contracutal Obligations</b>		
Created during the year		
Less written back during the year		
<b>Others</b>		
Created during the year	64.66	75.16
Less written back during the year	<b>64.66</b>	<b>75.16</b>
	<b>156.04</b>	<b>126.55</b>



# BHEL ELECTRICAL MACHINES LIMITED



## NOTE 25: FINANCE COSTS

(₹ in lakhs)

	For the year ended 31-03-2016	For the year ended 31-03-2015
Debtures/Bonds, Central and State		
Govt. Loan		
Banks/financial Institutions		
borrowings	33.55	26.44
Deferred Credits		
Others		
Other Borrowing Costs	17.03	
Less: Borrowing Cost capitalised		
	<u>50.58</u>	<u>26.44</u>

## NOTE 26: PRIOR PERIOD ADJUSTMENTS

(₹ in lakhs)

	For the year ended 31-03-2016	For the year ended 31-03-2015
<u>Income</u>		
Interest		
Others	0.00	0.00
Less		
<u>Expense</u>		
Other expenses	0.16	18.17
	<u>0.16</u>	<u>18.17</u>
<b>Net</b>	<u><b>-0.16</b></u>	<u><b>-18.17</b></u>







## BHEL ELECTRICAL MACHINES LIMITED

### NOTE 27.

### Deferred Tax Income/Asset

(₹in lakhs)

	For the year ended 31-03-2016	For the year ended 31-03-2015
Profit/(Loss) as per the Profit and loss account	-397.31	-544.86
Add		
Depreciation as per accounts	95.77	102.25
Less Depreciation as per Income tax Rules	<u>80.57</u>	<u>93.88</u>
Net Loss	-382.11	-536.49
Less		
Provision for Liquidated damages	69.89	51.39
Provision related to PL encashment-created during the year	3.24	4.86
Employee related provisions (bonus)	23.14	<u>22.75</u>
Income as per Income tax	-285.84	-457.49
Tax Income/Deferred tax Asset	-98.92	-148.43



**Note. 28**

1. Short term Borrowings (Note No.5) includes working capital loan of Rs. 300 lakhs from BHEL received on 21.08.2015 which was payable to BHEL on 31.03.2016 along with interest at the rate of 9.25% per annum. As per the present financial condition, company is not in a position to repay the loan and requested BHEL to extend the said facility till 31.03.2017. However, the accrued interest up to 31.03.2016, Rs.1703014/- has been accounted as interest expense for the year 2015-16 and an amount of Rs.170301/- has been deducted as TDS on interest and paid to IT authorities.

2. Employee gratuity and leave encashment dues are evaluated through actuarial valuation in line with AS -15(Revised).

3. Trade payable includes

(Amount in Rupees)

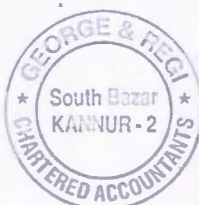
Sl No	Item	Current Year 2015-2016	Previous year 2014-2015
a	Stale Cheques	17709.00	26820.00
b	Amount due to MSME (SSI Units)	9816594.00	1276843.00
c	Retention from vendors	7246736.00	4725599.00

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.3	Note No.6
For Goods and Services	1099.36	91.47	1007.89
Outstanding bills	78.71	13.06	65.65
Retention from Bills	72.47	42.28	30.19
Total	1250.54	146.81	1103.73

5. The company has paid an amount of `13699736/- 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 `13699736/- 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.8)







6. As per the Companies Act 2013 and the significant accounting policies, the rates of depreciation adopted during the financial year are disclosed as under.

Sl No	Class of Assets	Use ful life as per Companies Act 2013	Change with respect to accounting policy of the Company	Depreciation Rates as a percentage	Rate for Double Shift as per Companies Act 2013
		In years	In years	%	%
1	Factory Building	30	Nil	3.33%	NESD
2	Office & other building (RCC)	60	Nil	1.67%	NESD
3	Plant & Machinery -General	15	12.50	8%	12%
4	Electrical installations	10	Nil	10%	NESD
5	EDP Equipment	3	Nil	33.33%	NESD
6	Vehicles	8	Nil	12.50%	NESD
7	Furniture and Fixtures	10	Nil	10%	NESD
8	Office equipment	5	Nil	20%	NESD

7. 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)

	2015-2016	2014-2015
100% depreciation on assets up to Rs.10000/- charged off in the accounting year	248283.00	137587.00
Normal depreciation on the above	39273.00	17948.00
Excess amount charged off	209010.00	119639.00

8. During the year 2014-15 one 1000 KVA DG set at the power station broke down and stopped functioning with effect from 06-05-2014. The Company after evaluating the power requirements has decided to procure a 500 KVA DG set which is sufficient enough to cater to the needs. Considering the cost of repairs and future cost of running of 1000 KVA, it is decided to sell it off in as in where condition.. The book value of this asset (carrying value) duly depreciated as per the new depreciation policy (in line with AS 10) is furnished below.

Cost of the Asset	: `2320637.00
Accumulated Depreciation	: `881841.00
Carrying cost (book value)	: `1438796.00
Net recoverable Value	: `691610.00





M/s MSTC India have quoted a price of `713000/- (duties and taxes extra) for this item. Accordingly, an amount of `747186/- had been considered as impairment loss in the books during last year after considering the accumulated depreciation and cost of disposal (3%). The DG set has been sold on 13.05.2015 and hence removed from Gross block during this year and also made corresponding adjustment in Accumulated depreciation.

9. 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.
10. 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	1140.42	254.68	885.74
Deferred Debts	89.21	-	89.21
Less Provision			
Bad and doubtful debts	38.32	38.32	-
LD	121.28	121.28	0.00
Net	1070.03	95.08	974.95

11. As per the significant accounting policy sales are recorded based on the significant risks and rewards of ownership being transferred in favour of the customer. The unrealized margin during the year 2014-2015 was 'NIL'. Unrealized margin against sales, booked during the year 2015-16 is Rs.1435763/-

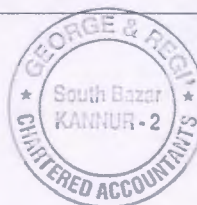
12. Travelling expenses - to Directors (Including the Managing Director)

(Amount in Rupees)		
Year	2015-2016	2014-2015
Managing director	36735.00	21901.00
Other Directors	164912.00	3621.00

13. Contingent liabilities:-

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

(Rs. In Lakhs)			
	ITEMS	2015-2016	2014-2015
1	Retention on account of liquidated damages		71.36
2	Retention on account of price fall clause		--
3	Retention by various Railways on statutory rate variation clause and other reasons		40.38
4	Amount of ad hoc recoverable advance paid to workmen.		-
	Total	NIL	111.74







- b. Details of letter of credit established in favour of suppliers pending clearance as on 31-03-2016 is `724.16 lakhs. Out of the above, goods worth `698.00 lakhs were received, accounted and reflected in the trade payable account.
- c. Details of bank guarantees issued, pending as on 31-03-2016 is Rs.60.40 lakhs.
- d. Bills routed through bank by suppliers pending clearance as on 31-03-2016 is NIL.

## 14. Details of miscellaneous receipts

- a. Others (including rounding off) : Rs.39/- (Thirty Nine only)

## 15. Related party transactions as per AS 18

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)

## 2. Transactions with the related party

(Amount in Rupees)

SI No	Nature of transaction	Holding company	Key Managerial personnel
1	Sale of goods & Services	15349868.00	
2	Amount due from	9791141.00	
3	Advance against orders	5521668.00	
4	Salaries and others		

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

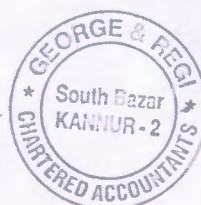
## 16. Details of prior period expenses and income

## A. Prior period expense

(Amount in Rupees)

SI No	Head of account	Amount
1	TDS deposits Excess accounted in prior period	15678.00
		15678.00

## B. Prior period Income : NIL





## 17. Miscellaneous expenses furnished under note 23 includes

(Amount in Rupees)

A. Payment to Auditors	2015-2016	2014-2015
a. Statutory audit fees	31000.00	31000.00
b. Tax audit fees	12500.00	12500.00
c. VAT audit fees	7500.00	7500.00
B. Others		
a. Guest /Guest house expenses	73238.00	44693.00

## 18. Expenditure on Rent:-

(Amount in Rupees)

Location	2015-2016	2014-2015
a. Guest House (Net)	170856.00	170856.00
b. Recreation Club	24000.00	24000.00

## 19. Break up details on repairs and maintenance

(Amount in Rupees)

Item	2015-2016	2014-2015
a. Building	28162.00	4846.00
b. Plant & Machinery	614860.00	235688.00
c. Others	339037.00	595943.00

## 20. Disclosure as per AS 7 - Nil

## 21. 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 : `62000.00

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

The Managing Director is provided with the bachelor accommodation in the company guest house on recoverable monthly rates fixed by the company.

## 22. As no separate gratuity fund exists in the company, the gratuity accruals (expenses for the year as per the valuation under AS 15-Revised) are grouped under the general heading salary and other allowances.







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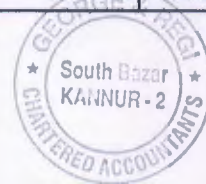
## BHEL ELECTRICAL MACHINES LIMITED

23.

### 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	5	4.04	46	43.05	45	42.43	6	4.66
BAGP above 110 KVA	17	62.25	14		19	178.97	12	48.82
25 KW Train lighting Alternators	27	52.91	169	390.63	193	436.33	3	7.21
Special Alternators/ Aux Alternators	7	27.28	18	53.75	16	47.04	9	33.99
DG Set for SPART	4	65.38	14	211.76	16	243.59	2	33.55
570 KVA DG Set for Power Car			88	2474.70	79	2359.13	9	115.57
Induction Motors	3	6.95	20	20.89	21	22.83	2	5.01
RRU	6	3.15	93	81.64	89	77.49	10	7.30
General Spares				22.91		22.91		
Services & Installation				192.98		192.98		
GSOS			14	232.95	14	232.95		
ED		27.75				238.94		32.01
Gross turnover	69.00	249.71	476.00	3725.26	492.00	4095.59	53.00	288.12





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## BHEL ELECTRICAL MACHINES LIMITED

### 24. 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	18808.00	22.42	44480.00	60.82	16845.00	20.04	46257.00	62.11
	Nos	444.00	1.59			630.00	2.68		
DIESEL ENGINE	NOS		0.00	97.00	1640.00	2.00	34.56	95.00	1605.44
COPPER	KGS	2850.86	14.64	39741.00	133.33	6674.71	30.91	35917.15	117.12
		4171.00	2.39			3955.08	2.33		
STEEL&ALUMINIUM	KGS	11595.78	6.02	113381.00	49.20	22972.00	10.58	103315.78	45.25
	Nos	1311.00	0.61						
CASTING	BULK		18.54		66.57		11.88	0.00	73.23
BEARINGS&OTHERS	BULK		14.51		237.20		18.63	0.00	233.08
CONTROL PANEL	NOS		0.00	2.00	19.22			2.00	19.22
GENERATORS	NOS		0.00	14.00	146.02			14.00	146.02
TORROIDAL CORE	* NOS	0.00	0.00	486.00	14.29	486.00	14.29	0.00	0.00
OTHERS			72.09		552.09		60.70	0.00	563.48
			152.81		2918.74		206.60		2864.95







भारतीय विद्युत संयंत्रों का निर्माण करने वाला  
भारतीय विद्युत संयंत्रों का निर्माण करने वाला

## BHEL ELECTRICAL MACHINES LIMITED

25.

### CONSUMPTION OF IMPORTED AND INDIGENOUS MATERIALS

%

(₹ in lakhs)

<u>RAW MATERIALS:</u>	For the year 2015-2016		For the year 2014-15	
IMPORTED	0.00%	0.00	2.47%	33.79
INDIGENOUS	100.00%	2852.51	97.53%	1334.57
TOTAL		2852.51		1368.36
<u>STORES AND SPARE PARTS</u>				
IMPORTED		0.00		0.00
INDIGENOUS		12.44		10.14
TOTAL		12.44		10.14
TOTAL CONSUMPTION		2864.95		1378.50
<u>CIF VALUE OF IMPORTS</u>				
RAW MATERIALS		14.29*		29.16
CAPITAL GOODS				

\* CIF Value of Raw Material imported during March-2016 and entire item is lying under Raw Mateial stock





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## BHEL ELECTRICAL MACHINES LIMITED

26.

### CAPACITY

SL NO	CLASS OF GOODS	LICENCED CAPACITY	INSTALLED CAPACITY	PRODUCTION
1	BRUSHLESS ALTERNATORS FOR GENERAL PURPOSE	270000 KVA (Equivalent to 3000 Numbers of Standard 90 KVA)	135000 KVA (Equivalent to 1500 Numbers of Standard 90 KVA)	487 Nos (Alternators, DG Sets, TLA and Auxiliary Alternators)







### SIGNIFICANT ACCOUNTING POLICIES

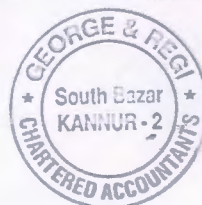
1	<b>Basis of preparation of Financial Statements</b> The financial statements have been prepared as of a going concern on historical cost convention and on accrual method of accounting in accordance with the generally accepted accounting principles and the provisions of the Companies Act 2013 as adopted by the Company
2	<b>Use of Estimates</b> The preparation of the financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the income and expenditure during the reporting period and the assets and liabilities including contingent liabilities at the date of financial statements. The difference between the actual results and estimates are recognized in the period in which the results are known.
3	<b>Fixed Assets</b> Fixed assets are carried at the cost of acquisition or construction or book value less accumulated depreciation and impairment if any. Cost includes value of internal transfers for capital works, taken at actual/estimated factory cost/market price, whichever is lower. Effects of extraordinary events such as devaluation/revaluation in respect of long term liabilities/loans utilized for the acquisition of fixed assets is added to/ reduced from the cost.
4	<b>Intangible Assets</b> A. Intangible assets are capitalized at cost if <ol style="list-style-type: none"> <li>It is probable that the future economic benefits attributable to the asset will flow to the company and</li> <li>The company will have control over the assets and</li> <li>The cost of these assets can be measured reliably and is more than ₹10000/-</li> </ol> Intangible assets are amortised over their estimated useful lives not exceeding three years in case of software and not exceeding ten years in case of others on a straight line pro-rata monthly basis. B. <ol style="list-style-type: none"> <li>Expenditure on research including the expenditure during the research phase of Research &amp; Development Projects is charged to Statement of profit and loss in the year of incurrence.</li> <li>Expenditure incurred on development including the expenditure during the development phase of Research and Development Project meeting the criteria as per the Accounting standard on intangible assets is treated as intangible asset.</li> <li>Fixed assets acquired for purposes of research and development are capitalised.</li> </ol>
5	<b>Borrowing Costs</b> Borrowing costs that are attributable to the manufacture, acquisition of construction of







	qualifying assets, are included as part of the cost of such assets. A qualifying asset is one that necessarily takes more than twelve months to get ready for intended use or sale. Other borrowing costs are recognized as expenses in the period in which they are incurred.
6	<p><b>Depreciation</b></p> <p>Depreciation on fixed assets is charged up to total cost of the assets 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 as shown hereunder :-</p> <p style="text-align: right;">( Years)</p> <p>General Plant &amp; Machinery 12.50 (inclusive of patterns, measuring instruments and pallet truck)</p> <p>In respect of additions/deductions from the fixed assets, depreciation is charged on pro-rata monthly basis.</p> <p>Fixed assets costing ₹10000/- or less or whose written down value as at the opening of the year is ₹10000/- or less, are depreciated fully.</p>
	<p><b>Inventory valuation</b></p> <p>i) Inventory is valued at actual/estimated cost or net realizable value, whichever is lower.</p> <p>ii) 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</p> <p>iii) 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.</p> <p>iv) In respect of raw material, components, loose tools, stores and spares, cost means weighted average cost.</p> <p>v) The component and material purchased /manufactured against production orders but declared surplus are charged off to revenue retaining residual value based on technical estimates.</p>
8	<p><b>Revenue Recognition</b></p> <p>Sales are recorded based on significant risks and rewards of ownership being transferred in favour of the customer. Sales include goods dispatched to customers by partial shipment.</p>
9	<p><b>Employee Benefits</b></p> <p>Provident fund and Employees' Family pension scheme contributions are accounted for on accrual basis. Liability for Earned leave, Half pay leave, Gratuity are accounted for in accordance with actuarial valuation. Liability towards contributory medical scheme is accounted based on the salary at the commencement of the calendar year.</p>
10	<p><b>Accounting for foreign currency transactions</b></p> <p>Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Foreign currency monetary assets and liabilities are translated at year end exchange rates. Exchange difference arising on settlement of transactions and translation of monetary items are recognized as income or expense in the year in which they arise.</p>
11	<p><b>Claims by/Against the company</b></p> <p>i) Claims for liquidated damages against the Company are recognised in accounts based on management's assessment of the probable outcome with</p>







for reference with the file

	<p>reference to the available information supplemented by experience of similar transactions.</p> <p>ii) Claims for export incentives/duty drawbacks/duty refunds and insurance claims etc are taken into account on accrual.</p> <p>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</p>
12	<p><b>Taxes on income</b></p> <p>Current tax is determined on the basis of taxable income in accordance with the provisions of the Income Tax Act, 1961. Deferred tax liability/asset resulting from timing difference between accounting income and taxable income is recognised considering the tax rate and laws that have been enacted or substantively enacted as on the balance sheet date. Deferred tax asset is accounted for and carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets.</p>
13	<p><b>Impairment</b></p> <p>The carrying amount of cash generating assets is reviewed at each balance sheet date where there is any indication of impairment. An impairment loss is recognised in the statement of profit and loss where the carrying amount exceeds the recoverable amount of the cash generating assets. An impairment loss is reversed if there is change in the recoverable amount and such loss either no longer exists or has decreased.</p>





## **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 2016, 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.

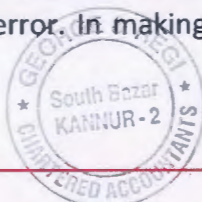
#### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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.

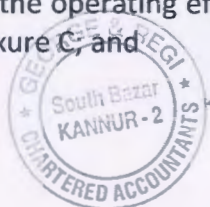
#### **OPINION**

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, 2016
- 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, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2016 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.

Kannur,  
10/05/2016



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

  
**P. J. REGI** F.C.A., D.S.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 2016. 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 does not have to maintain 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, 2016 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.



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

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



## BHEL ELECTRICALS MACHINES LIMITED

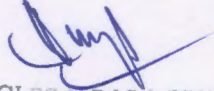
### Annexure B to the Auditor's Report

The Annexure referred to in our report to the members of BHEL ELECTRICALS MACHINES LIMITED for the year ended on 31st March, 2016 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



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

  
**R. J. REGI** FCA & D.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 2016 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.

#### **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**

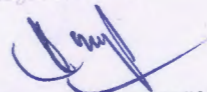
Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal 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 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.



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

  
**P. J. REGI** FCA & ICA (ICA)  
(Partner)  
Membership No. 209836

Date: 10/05/2016

**Auditor's Certificate on Corporate Governance**

To,

The Members  
M/S BHEL Electrical Machines Limited  
Kasaragod, Kerala

We have examined the compliance of conditions of Corporate Governance by M/S BHEL Electrical Machines Limited for the financial year ended on 31<sup>st</sup> march 2016, as stipulated by DPEOM, No.18(8)/2005-GM dated 14<sup>th</sup> May 2010.

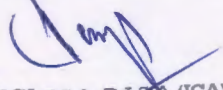
The compliance of the conditions of Corporate Governance is the responsibilities of the management. Our examination was limited to procedures and implementation thereof adopted by the company ensuring the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the company has complied with the conditions of corporate governance as stipulated in the above mentioned DPEOM.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which management has conducted the affairs of the Company.



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

  
**P. J. REGI FCA; DLSA (ICA)**  
(Partner)  
Membership No. 209836