



भेल ईलेक्ट्रिकल मशीन्स लिमिटेड

CIN U31909KL2011GOI027440

BHEL Electrical Machines Limited

ANNUAL FINANCIAL STATEMENTS
2018-19

BHEL Electrical Machines Limited

Balance Sheet As at March 31, 2019



(INR in Lakhs)

Particulars	Note No.	Figures as at the end of current reporting period 31.03.2019	Figures as at the end of previous reporting period 31.03.2018
I. ASSETS			
1 Non-current assets			
(a) Property, plant and equipment	3	345.42	437.45
(b) Financial assets			
(i) Trade receivables	4	-	147.73
(ii) Others	5	0.15	0.15
(c) Deferred tax assets (net)	6	807.83	654.76
(d) Other non-current assets	7	6.41	1.45
Total non-current assets		1,159.81	1,241.54
2 Current assets			
(a) Inventories	8	273.12	439.42
(b) Financial assets			
(i) Trade receivables	9	299.84	169.89
(ii) Cash and cash equivalents	10	12.82	13.91
(iii) Bank balances other than (iii) above	11	6.38	27.81
(iv) Loans	12	24.84	24.84
(c) Other Current Assets	13	327.08	278.09
Total current assets		944.08	953.96
TOTAL ASSETS		2,103.89	2,195.50
II. EQUITY AND LIABILITIES			
1 Equity			
(a) Equity share capital	14	1,050.00	1,050.00
(b) Other Equity	15	-2,423.40	-1,877.90
Equity attributable to equity holders of the parent			
Non-controlling interests			
Total equity		-1,373.40	-827.90
2 Non-Current Liabilities			
(a) Financial Liabilities			
(i) Trade Payables	16	-	279.97
(b) Provisions	17	569.23	531.36
		569.23	811.33
3 Current liabilities			
(a) Financial Liability			
(i) Borrowings	18	1,583.24	1,328.18
(ii) Trade payables	19	628.93	345.66
(iii) Other financial liabilities	20	288.20	105.15
(b) Other current liabilities	21	62.21	133.38
(c) Provisions	22	345.48	299.70
		2,908.06	2,212.07
Total Liabilities		3,477.29	3,023.40
TOTAL EQUITY AND LIABILITIES		2,103.89	2,195.50
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

(Narayanan AP)

Head - Finance

For and on behalf of Board of Directors

Director

(Somak Basu)
Managing Director

As per our report of even date attached separately

For *George & Regi*
Chartered Accountants
F.R.No.009022S
Jobymon Thannikkel ACA
Partner. M.No.239520



Place: Kasaragod
Date: 21-05-2019

BHEL Electrical Machines Limited
Statement of Profit and Loss
For the year ended 31st March, 2019



(INR in Lakhs)

Particulars	Note No.	Figures for the current reporting period ending 31.03.2019	Figures for the previous reporting period ending 31.03.2018
I. Revenue from operations (Gross)	23	1864.81	1442.49
Less: excise duty		-	-
Less: service tax & Swachh Bharat Cess		-	0.00
		1864.81	1442.49
Other operational income	24	5.69	8.22
II. Other income	25	5.11	2.49
III. Total Income (I+II)		1,875.61	1,453.20
IV. Expenses			
Cost of material consumption, erection and engineering expenses	26	1235.83	740.87
(Increase)/Decrease in work in progress and finished goods	27	150.17	286.43
Employee benefits expense	28	764.74	822.56
Finance costs	29	107.65	92.84
Depreciation and amortisation expense		92.02	94.00
Other expenses	30	116.74	84.94
Provisions (net)	31	108.30	104.92
Less: Cost of jobs done for internal use			
		2,575.45	2,226.56
V. Profit/(loss) before exceptional items and tax (III-IV)		-699.84	-773.36
VI. Exceptional Items		-	-
VII. Profit/(loss) before tax (V-VI)		-699.84	-773.36
VIII. Tax expense	32		
a) Current tax		-	-
b) Deferred tax		-153.40	-171.52
IX. Profit/(loss) for the period from continuing operations (VII-VIII)		-546.44	-601.85
X. Other comprehensive income			
A Items that will not be reclassified to profit or loss			
- Re-measurements of defined benefit plans		1.27	-4.49
- Less: Tax on Re-measurements of defined benefit plans		-0.33	1.15
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)			
XI. for the period)		-545.50	-605.18
XII. Earnings per equity share (for continuing operation)			
(1) Basic (in INR)	33	-5.20	-5.76
(2) Diluted (in INR)		-5.20	-5.76
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

(Narayanan XP)
Head - Finance

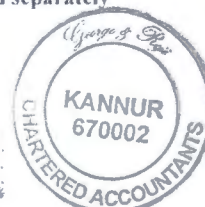
For and on behalf of Board of Directors

Director

(Somak Basu)
Managing Director

As per our report of even date attached separately

For
Chartered Accountants
F.R.No.009022S
Jobymon Thannikkal ACA
Partner. M.No.239520



Place Kasaragod
Date 21-05-2019

BHEL Electrical Machines Limited
Statement of Cash Flow
For the year ended 31st March, 2019



(INR in Lakhs)

Particulars	Figures for the current reporting period ending 31.03.2019	Figures for the previous reporting period ending 31.03.2018
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit (loss)	-698.57	-777.85
adjustment for		
Depreciation	92.02	94.00
Provision for doubtful debts	0.00	-7.53
defferred revenue expenditure		
Provision for Gratuity and Leave Liability	26.68	0.00
Provisions (Long term)	108.30	129.15
Interest Expenditure		
Total	-471.57	-562.23
Adjustments for		
(increase)/decrease in trade & other receivables	-87.49	119.76
(increase)/decrease in inventories	166.30	293.72
Increase/(Decrease) in Trade and other payments	115.18	-368.73
Net Cash flow from operating Activities	193.99	44.75
B. CASH FLOW FROM INVESTING ACTIVITIES		
Sale of assets		
Interest received		
(Purchase of fixed assets)	0.00	-0.07
Net Cash from investing Activities	0.00	-0.07
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) in long term borrowing		
Increase/(Decrease) in short term borrowing	255.06	382.81
Net cash from financing activities	255.06	382.81
Net Increase /(Decrease) in cash /Cash equivalents	-22.52	-134.74
Opening Cash balance	41.72	176.46
Cash /Cash equivalents at the end of the period	19.20	41.72

(Narayanan AP)

Head - Finance

For and on behalf of Board of Directors

As per our report of even date attached separately

(Somak Basu)
Managing Director

Place: Kasaragod
Date: 21-05-2019

For *Gopi & Regi*
Chartered Accountants
F.R.No.009022S
Jobymon Thannikkel ACA
Partner. M.No.239520

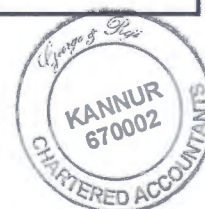


BHEL Electrical Machines Limited



(INR in Lakhs)

Particulars	Figures as at the end of current reporting period 31.03.2019	Figures as at the end of previous reporting period 31.03.2018
<u>Note no. 3 Property, plant and equipment</u>		
(i) Tangible assets		
Gross block	1,096.12	1,096.12
Less: Accumulated depreciation	-750.70	-658.67
Less: Accumulated impairment		
Less: Lease adjustment account		
Net Block (Refer Note. 3.1 for detailed schedule)	345.42	437.45
(ii) Capital work in progress		
Construction work-in-progress		
Total		
<u>Note no. 4 Trade receivables</u>		
<i>Unsecured-</i>		
Long term trade receivables	-	386.51
Less: Provision for bad & doubtful debts	0.00	-38.32
Less: Provision for LD	0.00	-200.46
Total	0.00	147.73
Sub classification: Trade receivables		
Considered good	-	147.73
Bad and Doubtful	-	238.78
<u>Note no. 5 Others</u>		
<i>Unsecured Considered Good-</i>		
Deposits others	0.15	0.15
Total	0.15	0.15
<u>Note no. 6 Deferred tax assets (net)</u>		
a) Deferred tax assets and liabilities are attributable to the following:		
Deferred tax assets		
Provisions	654.76	482.09
Additions for the year	153.07	172.67
Total	807.83	654.76
<u>Note no. 7 Other non - current assets</u>		
TDS	6.41	1.45
Total	6.41	1.45



BHEL ELECTRICAL MACHINES LIMITED



Note 3.1

FIXED ASSETS AS ON 31-03-2019

(₹ in lakhs)

SLNO	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost as on 01-04-18	Additions/Adjustments during the year	Deductions/Adjustments during the year	Total Cost as on 31-03-2019	Depreciation as on 01-04-2018	Depreciation During the year	Deductions/Adjustments during the year	Depreciation upto 31-03-2019	As on 31-03-2019	As on 31-03-2018
1	Freehold land(including development expenses)	31.15			31.15	0.00	0.00		0.00	31.15	31.15
2	Buildings	337.43			337.43	73.66	9.86		83.52	253.90	263.77
3	Plant & Machinery	676.12			676.12	545.87	78.63		624.50	51.63	130.25
4	Electronic Data Processing Equipment	5.63			5.63	5.58	0.05		5.63	0.00	0.05
5	Electrical Installations	33.83			33.83	21.90	3.31		25.22	8.62	11.93
6	Vehicles	0.44			0.44	0.32	0.06		0.38	0.07	0.12
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	7.71	0.11		7.83	0.07	0.18
9	Fixed Assets costing upto Rs. 10,000/-	3.50			3.50	3.50	0.00		3.50	0.00	0.00
	TOTAL	1096.12	0.00	0.00	1096.12	658.67	92.02	0.00	750.69	345.43	437.45

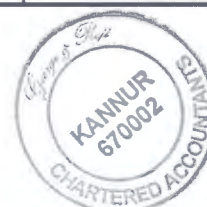


BHEL Electrical Machines Limited



(INR in Lakhs)

Particulars	Figures as at the end of current reporting period 31.03.2019	Figures as at the end of previous reporting period 31.03.2018
<u>Note no. 8 Inventories</u>		
Stores & spare parts		
Production	2.51	2.39
Raw material & components	135.66	151.91
Material-in-transit	-	-
finished goods	52.28	122.48
Work-in-progress	88.49	168.46
Less provision for non moving inventory	-5.82	-5.82
Total	273.12	439.42
<u>Note no. 9 Trade Receivables</u>		
<i>Unsecured</i>		
Considered Good	299.84	169.89
Considered Doubtful	335.35	45.25
Total	635.19	215.14
Less : Provision for bad & doubtful debts	335.35	45.25
Total	299.84	169.89
Trade receivables include		
-Deferred Debts	23.77	0.38
-Goods Despatched Pending Billing	0.00	0.00
<u>Note no. 10 Cash & cash equivalents</u>		
Balances with Banks*	12.53	13.76
Cash & Stamps in on hand	0.29	0.15
Total	12.82	13.91
<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	6.38	27.81
Total	6.38	27.81
<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
Others	24.80	24.80
Total	24.84	24.84



BHEL Electrical Machines Limited



(INR in Lakhs)

Particulars	Figures as at the end of current reporting period 31.03.2019	Figures as at the end of previous reporting period 31.03.2018
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	319.10	265.53
For purchases	1.22	0.66
To others	6.76	11.90
Total	327.08	278.09
Note no. 14 - Equity Share capital		
Authorised		
Equity Shares of INR 10 each fully paid up	1050.00	1050.00
Issued, Subscribed & Paid up Capital	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
Shares issued during the year		
Shares bought back during the year		
Shares outstanding at the end of the year	1050.00	1050.00
b) Details of shareholders holding more than 5% shares in the Company		
BHEL and its nominees	51.00%	51.00%
Government of Kerala and its nominees	49.00%	49.00%
Face Value per share (INR)	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	-1,877.90	-1,272.72
Add: Additions/ adj	-546.44	-601.85
Less: Deductions/ adj		
Other Comprehensive Income	0.94	-3.33
Total	-2,423.40	-1,877.90



BHEL Electrical Machines Limited



(INR in Lakhs)

Particulars	Figures as at the end of current reporting period 31.03.2019	Figures as at the end of previous reporting period 31.03.2018
Note no. 16 Trade payables		
Trade payables	0.00	279.97
Note no. 17 Provisions		
Long term Provisions		
Provision for employee benefits	569.23	531.36
Total	569.23	531.36
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	668.52	454.70
Unsecured		
From others-Companies	914.72	873.48
Total	1,583.24	1,328.18
Note no. 19 Trade payables		
Financial liabilities at amortised cost		
Trade payables	628.93	345.66
Note no. 20 Other financial liabilities		
Deposits from Contractors & others	17.69	17.84
Other payables/ liabilities		
- Statutory dues	8.00	6.46
- Employees dues	182.01	59.03
- Other dues	80.50	21.82
Total	288.20	105.15
Note no. 21 Other current liabilities		
Advances received from customers & others	62.21	133.38
Total	62.21	133.38
Note no. 22 Provisions		
Provision for employee benefits	345.48	299.70
Other Short term provisions		-
Total	345.48	299.70



BHEL Electrical Machines Limited



(INR in Lakhs)

Particulars	Figures as at the end of current reporting period 31.03.2019	Figures as at the end of previous reporting period 31.03.2018
<u>Note no. 23 Revenue from operations</u>		
Sales less returns	1,743.69	1,339.35
Income from external erection & other services	121.12	103.14
Total	1,864.81	1,442.49
<u>Note no. 24 Other operational Income</u>		
Scrap sale	5.69	8.22
Others	-	-
Total	5.69	8.22
<u>Note no. 25 Other income</u>		
A. Other income		
Exchange variation (net)	-	-
Others (including grants from Govt of India for R & D Projects)	-0.45	0.10
Total (A)	-0.45	0.10
B. Interest income		
From banks	5.56	2.39
Total (B)	5.56	2.39
Total (A+B)	5.11	2.49
<u>Note no. 26 Cost of material consumption, erection and engineering expenses</u>		
Consumption of raw material & components	1,153.91	635.22
Consumption of stores & spares	3.67	9.62
Erection and engineering exp. - payment to subcontractors	78.25	96.03
Total	1,235.83	740.87
<u>Note no. 27 (Increase)/Decrease in work in progress & finished goods</u>		
Work -in -progress		
Closing Balance	-88.49	-168.46
Opening Balance	168.46	191.30
Finished goods		
Closing Balance	-52.28	-122.48
Opening Balance	122.48	386.07
Inter-division transfer in transit		
Total	150.17	286.43



BHEL ELECTRICAL MACHINES LIMITED



23A.

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	4	3.79	49	52.62	48	53.02	5	3.38
BAGP above 110 KVA	10	26.00	67	55.59	73	63.78	4	17.80
25 KW Train lighting Alternators	2	4.11	53	130.22	53	130.23	2	4.10
Special Alternators/ Aux Alternators	8	25.94	9	13.15	10	16.12	7	22.98
DG Set for SPART	6	54.16	14	184.09	20	238.25	0	0.00
570 KVA DG Set for Power Car	0	0.00	36	1025.52	36	1025.52	0	0.00
Induction Motors	3	5.90	0	0.00	1	1.88	2	4.02
RRU	4	2.59	60	42.09	64	44.68	0	0.00
General Spares			395	57.76	395	57.76		
Services & Installation				122.27		122.27		
GSOS				98.71		98.71		
Gross turnover	37.00	122.48	683.00	1782.03	700.00	1852.23	20.00	52.28

*Revenue from operations - Gross Sales (INR 1852.23 Lakhs) + Income on Freight (INR 12.58 Lakhs)



BHEL ELECTRICAL MACHINES LIMITED



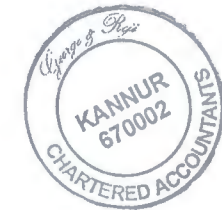
26A.

CONSUMPTION OF IMPORTED AND INDIGENOUS MATERIALS

%

(₹in lakhs)

<u>RAW MATERIALS:</u>	For the year 2018-2019		For the year 2017-2018	
IMPORTED	0.00%	0.00	2.82%	17.91
INDIGENOUS	100.00%	1153.91	97.18%	618.20
TOTAL		1153.91		636.11
<u>STORES AND SPARE PARTS</u>				
IMPORTED		0.00		0.00
INDIGENOUS		3.67		3.73
TOTAL		3.67		3.73
TOTAL CONSUMPTION		1157.58		639.84
<u>CIF VALUE OF IMPORTS</u>				
RAW MATERIALS		0.00		18.57
CAPITAL GOODS				



BHEL ELECTRICAL MACHINES LIMITED



26B.

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	14978.00	19.19	42693.00	54.83	14138.00	22.53	43533.00	51.49
DIESEL ENGINE	NOS	0.00	0.00	36.00	591.20	0.00	0.00	36.00	591.20
COPPER	KGS	10578.93	34.27	6882.96	32.15	3011.91	15.11	14449.98	51.31
STEEL	KGS	9027.80	4.42	42330.30	24.21	7322.30	3.95	44035.80	24.68
CASTINGS	BULK		8.17		54.49		6.31		56.35
BEARINGS	BULK		27.92		5.34		5.07		28.19
CONTROL PANEL	NOS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERATORS	NOS	0.00	0.00	16.00	73.66	0.00	0.00	16.00	73.66
TORROIDAL CORE	* NOS	18.00	0.66	0.00	0.00	0.00	0.00	18.00	0.66
OTHERS	BULK		59.67		299.39		82.68		276.38
			154.30		1135.27		135.66		1153.91

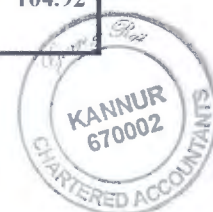


BHEL Electrical Machines Limited



(INR in Lakhs)

Particulars	Figures as at the end of current reporting period 31.03.2019	Figures as at the end of previous reporting period 31.03.2018
Note no. 28 Employee benefits expense		
Salaries, wages, bonus, allowances & other benefits	530.97	589.42
Contribution to gratuity fund	61.05	74.30
Contribution to provident and other funds	65.19	68.55
Staff welfare expenses	107.53	90.29
Total	764.74	822.56
Note no. 29 Finance costs		
Interest on financial liabilities not at fair value through profit or loss	107.65	92.84
Total	107.65	92.84
Note no. 30 Other expenses of manufacture, administration, selling & distribution		
Rent	0.09	1.92
Excise duty on turnover	-	(22.44)
Excise duty (On FG and scrap)	-	-
Power & Fuel	30.39	32.47
Rates & taxes	1.66	4.86
Service tax & Swachh Bharat Cess	-	0.24
Exchange variation (Net)	1.77	3.39
Repairs:		
Plant & machinery	3.88	5.00
Carriage outward	-	0.29
Travelling & conveyance	8.00	10.52
Miscellaneous expenses	70.95	48.69
Total	116.74	84.94
Note no. 31 Provisions (net)		
Doubtful debts, liquidated damages and loans & advances		
Created during the year	51.32	44.09
Less written back during the year		
Others		
Created during the year	56.98	60.83
Less written back during the year		
Discounting of Other long term provisions (net)		
Reversal of Provision on ECL		
Total	108.30	104.92



BHEL Electrical Machines Limited



(INR in Lakhs)

Particulars	Figures as at the end of current reporting period 31.03.2019	Figures as at the end of previous reporting period 31.03.2018
Note no. 32 Tax expense		
a) Current tax		
for current year		
for earlier years		
Tax on OCI		
Total	-	0
b) Deferred tax charge /(credit)		
for current year	-153.07	-171.52
for earlier years		
Total	-153.07	-171.52
Note no. 33 Earnings per share		
Profit(Loss) for the year	-545.50	-605.18
Number of Equity shares	105,00,000	105,00,000
Basic Earnings per Share (in INR)	-5.20	-5.76
Convertible Equity	0	0
Diluted Earnings per Share (in INR)	-5.20	-5.76



BHEL Electrical Machines Limited



Note No. 34 STATEMENT OF CHANGES IN EQUITY

(A) Equity Share Capital

(INR in Lakhs)

For the year ended 31 March 2019		
Balance as at April 01, 2018	Changes in equity share capital during the year	Balance as at March 31, 2019
1,050.00	-	1,050.00
For the year ended 31 March 2018		
Balance as at 1 st April 2017	Changes in equity share capital during the year	Balance as at 31 st March 2018
1,050.00	-	1,050.00

(B) Other Equity

(INR in Lakhs)

	31-Mar-19
	Reserves & Surplus
	Retained Earnings
Balance as at 1 April 2018	(1,877.90)
Profit for the year	(546.44)
Other comprehensive Income (net of tax)	0.94
Total Comprehensive Income	(545.50)
Balance as at 31 March 2019	(2,423.40)

	31-Mar-18
	Reserves & Surplus
	Retained Earnings
Balance as at 1 April 2017	(1,272.72)
Profit for the year	(601.85)
Other comprehensive Income (net of tax)	(3.33)
Total Comprehensive Income	(605.18)
Balance as at 31 March 2018	(1,877.90)



Note No. 35

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 31.03.19	As on 31.03.18
Financial Assets at amortised cost		
Trade Receivables	299.84	317.62
Other Financial Assets	0.15	0.15
Cash and Cash Equivalents	12.82	13.91
Other Bank Balances	6.38	27.81
Loans	24.84	24.84
Financial Liabilities at amortised cost		
Borrowings	1583.24	1328.18
Trade Payables	628.93	625.63
Other Financial Liabilities	288.20	105.15

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 299.84 Lakhs and INR 317.62 Lakhs as of March 31, 2019 and March 31, 2018 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-19	31-Mar-18
Financial assets for which loss allowance is measured using 12 months Expected Credit Losses (ECL)		
Loans	24.84	24.84
Cash and Cash Equivalents	12.82	13.91
Other Bank Balances	6.38	27.81
Others	0.15	0.15
Financial assets for which loss allowance is measured using Life time Expected Credit Losses (ECL)		
Trade Receivables	299.84	317.62

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 31 March 2017	238.78
Impairment loss recognised	45.25
Amounts written off/ withdrawal	0.00
Balance as at 31 March, 2018	284.03
Impairment loss recognised	51.32
Amounts written off/ withdrawal	0.00
Balance as at 31 March, 2019	335.35

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

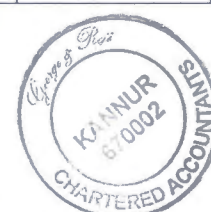
Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity 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 certain 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 31.03.19		As at 31.03.18	
Non-derivative financial liabilities	Within 1 year	1-5 years	Within 1 year	1-5 years
Trade payables	628.93		345.66	279.97
Borrowings	1583.24		1328.18	
Other Payables/liabilities	288.20		105.15	
TOTAL	2500.37		1778.99	279.97





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. 36**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 70.42 % per cent (previous year 53.67 %) of the entity's total revenues



Note No. 37

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. 65.19 lakhs (Previous year Rs. 68.55lakhs) 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-19	31-Mar-18
A. Change in the Present value of obligation		
Present value of obligation as at the beginning of the year	5,28,10,274	47,235,497
Current service cost	21,97,035	39,34,914
Interest cost	39,07,960	3,495,427
Amount recognized in profit or loss	61,04,995	7,430,341
Included in OCI:		
Re-measurement loss (gain):		
Actuarial loss (gain) arising from:		
Demographic assumptions		
Financial assumptions		
Experience adjustment	(1,26,933)	448,501
Total amount recognised in other comprehensive income	(1,26,933)	448,501
Benefits paid	(29,51,900)	(2,304,065)
Present value of obligation as at the end of the year	5,58,36,436	52,810,274



(Amount in Rupees)

Particulars	Gratuity (Unfunded)	
	31-Mar-19	31-Mar-18
B. Amount recognised in the balance sheet (A)		
Short term provision	24,64,367	3,437,858
Long term provision	5,33,72,069	49,372,416
C. Actuarial Assumptions		
Economic assumptions:	31-Mar-19	31-Mar-18
Discount Rate (Per annum)	7.49%	7.40%
Future Salary increase	5.50%	5.50%
Demographic assumptions:		
Retirement Age (years)	60	60
Withdrawal Rate (%)-		
Up to 30 Years	3.00	3.00
From 31 to 44 years	2.00	2.00
Above 44 years	1.00	1.00
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 2019		31 March 2018	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	(16,84,375)	17,70,611	(1,707,698)	1,799,609
Salary escalation rate (0.5% movement)	17,38,908	(16,83,100)	1,760,003	(1,717,835)

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 2019	31 March 2018
Apr 2018- Mar 2019		2,427,050
Apr 2019- Mar 2020	24,64,367	1,486,665
Apr 2020- Mar 2021	9,20,131	3,826,342
Apr 2021- Mar 2022	32,44,286	4,157,408
Apr 2022 -Mar 2023	46,13,259	3,982,577
Apr 2023-Mar 2024	44,63,577	4,404,802
Apr 2024-Mar 2025	49,97,319	*32,525,430
Apr 2025 onwards	3,51,33,497	
Total	55,836,436	52,810,274

**April 2024 onwards*

Expected contributions to gratuity plans for the year ending 31 March 2020 are INR 66.37 Lakhs

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 8.28 years (31 March 2018: 8.80years).

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. 38

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, 2019	As at March 31, 2018
Current tax expense		
Current year		
Adjustment for current tax of prior periods		
	-	-
Deferred tax expense		
Deferred tax expense	(153.40)	(171.52)
	(153.40)	(171.52)
Total income tax expense	(153.40)	(171.52)

ii) Income tax recognized in other comprehensive income

(Rs. in lakhs)

Particulars	31 March 2019			31 March 2018		
	Before tax	Tax expense/ (benefit)	Net of tax	Before tax	Tax expense/ (benefit)	Net of tax
Net actuarial gains/(losses) on defined benefit plans	(1.27)	0.33	(0.94)	4.49	(1.15)	3.34
	(1.27)	0.33	(0.94)	4.49	(1.15)	3.34

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

(Rs. In lakhs)

Particulars	31 March 2019	31 March 2018
Profit before tax		
Tax using the Company's domestic tax rate of 26.00% (31 March 2018-25.75%)	(181.96)	(191.86)
Tax effect of:		
Non-deductible tax expenses	28.89	19.19
Tax-exempt income		
Others		
Tax as per Profit and loss account for current year	(153.07)	(172.67)

Refer Note 38.1



BHEL ELECTRICAL MACHINES LIMITED



38.1

Deferred Tax Income/Asset

(INR in Lakhs)

Partiucalars	For the year ended 31-03-2019	For the year ended 31-03-2018
Profit/(Loss) as per the Profit and loss account	(699.84)	(773.36)
Add		
Depreciation as per accounts	92.02	94.00
Less Depreciation as per Income tax Rules	<u>52.93</u>	<u>61.23</u>
Net Loss	(660.75)	(740.59)
Less		
Provision for Liquidated damages & Bad Debts	51.32	44.09
Provision related to PL encashment-created during the year	(3.58)	5.59
Employee related provisions (bonus)	<u>23.01</u> 70.75	<u>24.83</u> 74.52
Income as per Income tax	(590.00)	(666.07)
Tax Income/Deferred tax Asset	(153.40)	(171.51)

Deferred Tax Asset has been created as there is reasonable certainty that, the Company will make profit in the near future periods.



Note No. 39

1. Material Uncertainty related to Going Concern

The Company has incurred a loss of Rs. 546.44 lakhs during the year ended as on 31st March 2019 and as of that date, the Company's current liabilities exceeded its total assets by Rs. 1,963.98 lakhs. The working capital position of the Company is under stress. Hence, there is an uncertainty regarding the going concern status of the Company.

2. Short term Borrowings (Note No.18) comprises of Cash credit of Rs. 668.52 lakhs from State Bank of India and working capital loan of Rs.300 lakhs from BHEL and Rs.500 lakhs from Kerala Metals & Minerals Ltd. (KMML) 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, due to weak working capital position, company requested BHEL to extend the said facility till 31.03.2019. The Loan from KMML was received on 26.02.2018 at interest rate of 8.4% per annum. The details are furnished below

(Amount in Rupees Lakhs)

Particulars	31 March 2019	31 March 2018
I. Loan from BHEL		
Opening Balance	369.96	341.67
Interest for the year	0.00	31.43
TDS paid on accrued interest	0.00	3.14
Closing Balance	369.96	369.96
II. Loan from KMML		
Opening Balance	503.52	500.00
Interest for the year	45.82	3.91
TDS paid on accrued interest	4.58	0.39
Closing Balance	544.76	503.52

3. Trade payable includes

(Amount in Rupees)

Sl No	Item	31 March 2019	31 March 2018
a	Stale Cheques	2500	2500.00
b	Amount due to MSME (SSI Units)	7397411.00	5285944.00
c	Retention from vendors	8089361.00	7415451.00



3. 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	496.36		496.36
Outstanding bills	51.68		51.68
Retention from Bills	80.89		80.89
Total	628.93		628.93

4. The company has paid an amount of Rs.3,18,51,485.00 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.3,18,51,485.00 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)
5. As per the Companies Act 2013 and the significant accounting policies, the rates of depreciation adopted during the financial year are disclosed as under.

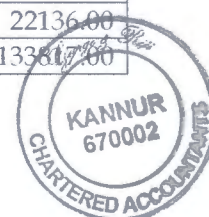
Sl No	Class of Assets	Use ful life as per Companies Act 2013	Change with respect to accounting policy of the Company	Depreciation Rates as a percentage	Rate for Double Shift as per Companies Act 2013
		In years	In years	%	%
1	Factory Building	30	Nil	3.33%	NESD
2	Office & other building (RCC)	60	Nil	1.67%	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

The depreciation has been worked out on the assumption that all the assets taken over from the Kerala Electrical and allied Engineering Co. Ltd. are having full useful life on the date of take over.

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	31 March 2019	31 March 2018
100% depreciation on assets up to Rs.10000 charged off in the accounting year	162796.00	155953.00
Normal depreciation on the above	43277.00	22136.00
Excess amount charged off	119519.00	133817.00





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	611.42		611.42
Deferred Debts	23.77		23.77
Less Provision			
Bad and doubtful debts	39.49		39.49
LD	295.86		295.86
Net	299.84		299.84

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

(Amount in Rupees)

Year	31 March 2019	31 March 2018
Managing director	0.00	25841.00
Other Directors	29603.00	74945.00

10. Contingent liabilities:-

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

(Rs. In Lakhs)

Sl.	ITEMS	31 March 2019	31 March 2018
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 31-03-2019 is NIL.

- c. Details of bank guarantees issued, pending as on 31-03-2019 is NIL.

- d. Bills routed through bank by suppliers pending clearance as on 31-03-2019 is NIL.

11. 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



BHEL Electrical Machines Limited



B. Other related parties (Key management personnel)

1. Shri. Somak 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	28191.00	0.00
2	Amount due from (Excl Loan & Int from BHEL)	8216914.00	0.00
3	Advance against orders	0.00	0.00
4	Salaries and others	0.00	0.00

One Engineer 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	31 March 2019	31 March 2018
a. Statutory audit fees	31000.00	31000.00
b. Tax audit fees	15000.00	15000.00
c. GST audit fees	10000.00	10000.00

B. Others

(Amount in Rupees)

Particulars	31 March 2019	31 March 2018
a. Guest / Guest house expenses	0.00	65088.00

C. Expenditure on Rent

(Amount in Rupees)

Particulars	31 March 2019	31 March 2018
a. Guest House (Net)	108000.00	191856.00
b. Recreation Club	0.00	0.00

D. Break up details on repairs and maintenance

(Amount in Rupees)

Particulars	31 March 2019	31 March 2018
a. Building	0.00	933.00
b. Plant & Machinery	110750.18	30000.00
c. Others	276569.23	108224.00

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 : NIL

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



40.

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)	683 Nos (Alternators, DG Sets, TLA and Auxiliary Alternators



INDEPENDENT AUDITOR'S REPORT

To the Members of BHEL Electrical Machines Limited

Report on the Audit of the standalone Financial Statements

Opinion

We have audited the standalone financial statements of BHEL Electrical Machines Limited ("the Company"), which comprise the balance sheet as at 31st March 2019, and the statement of Profit and Loss and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, of the state of affairs of the Company as at March 31, 2019, and profit/loss, and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics* issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Material Uncertainty Related to Going Concern

We draw attention to Note 39.1 in the financial statements which indicates that the Company incurred a net loss of Rs. 546.44 lakhs during the year ended March 31, 2019 and, as of that date, the Company's current liabilities exceeded its total assets by Rs. 1,963.98 lakhs. As stated in Note, these events or conditions, along with other matters as set forth indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

- i) Interest amounting to Rs.34.22lakhs worked out @ 9.25% on loan obtained from BHEL has been waived by the lender as the loan amount remains unpaid since long.
- ii) The Company has not been in a position to meet the liability for establishment expenses in time.

Responsibilities of Management for the Standalone 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 of these standalone 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. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



EMPHASIS OF MATTER

- a) We draw attention to Note No. 39.6 of the financial statements, which describes the assumption on the calculation of depreciation on assets taken over from the Kerala Electrical and Allied Engineering Co. Ltd.
- b) We draw attention to Note No. 38.1 of the financial statements, which describes the relevance of creation of deferred tax assets of the company.

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 Companies Act, 2013, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- 2 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 standalone 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 31st March, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".



(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 did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For *George & Pappas*
Chartered Accountants
F.R.No.009022S
Jobymon Thannikkel ACA
Partner. M.No.239520



Kannur

21-05-2019

BHEL ELECTRICALS MACHINES LIMITED

Annexure A to the Auditors Report

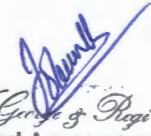
The Annexure referred to in our report to the members of BHEL ELECTRICAL MACHINES LIMITED for the year ended 31st March 2019. We report that :

- (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 not 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, 2019 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
F.R.No.009022S
Jobymon Thannikkel ACA
Partner. M.No.239520



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, 2019 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 system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of accounts along with the financial implications, if any, may be stated.	Yes. There are no transactions accounted outside IT system.
2 Whether there is any restructuring of an existing loan or cases of waiver/write off of debt/loans/interest etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated.	Yes. Interest amounting to Rs.34.22 lakhs worked out @9.25% on loan obtained from BHEL has been waived by the lender as the loan amount remains unpaid since long.
3 Whether funds received/receivable for specific schemes from Central/State agencies were properly accounted for/utilized as per its terms and conditions? List the cases of deviation.	The company has not received any funds and there is no funds receivable for specific schemes from Central/State agencies during the year.

For *George & Regi*
Chartered Accountants
F.R.No.009022S
Jobymon Thannikkel ACA
Partner. M.No.239520



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 2019 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 2019, 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.

21.05.2019
Kannur.


For *George & Regi*
Chartered Accountants
F.R.No.009022S
Jobymon Thannikkel ACA
Partner. M.No.239520

