



NEW FRONTIERS. NEW DREAMS

# बी ई एम एल लिमिटेड BEML LIMITED

(CIN: L35202KA1964GOI001530)

(A Govt. of India Mini Ratna Company under Ministry of Defence)

Winner of



Golden Peacock  
Innovation Management Award

## Manufacturing Units :

**Bangalore Complex**  
Tel : 080-25242414  
e-mail : bmlcgmr@vsnl.com

**KGF Complex**  
Tel : 08153-263020  
e-mail : bmlkde@vsnl.net.in

**Mysore Complex**  
Tel : 0821-2402422  
e-mail : bmlmys@sancharmet.in

**International Business Division**  
Tel : + 91-80-2222 2730, 2223 3350  
e-mail : office@export.beml.co.in

**Technology Division**  
Tel : + 91-80-2296 3100-109  
e-mail : office@ctd.beml.co.in

**Trading Division**  
Tel : + 91-80-22963113  
e-mail : office@trading.beml.co.in

## Regional Offices :

**Bilaspur**  
Tel : 07752-252082  
e-mail : bilaspur@rm.beml.co.in

**Chennai**  
Tel : 044-28270792  
e-mail : chennai@rm.beml.co.in

**Hyderabad**  
Tel : 040-23227032  
e-mail : hyderabad@rm.beml.co.in

**Kolkata**  
Tel : 033-22826314  
e-mail : kolkata@rm.beml.co.in

**Mumbai**  
Tel : 022-22049490  
e-mail : mumbai@rm.beml.co.in

**Nagpur**  
Tel : 0712-2248435  
e-mail : nagpur@rm.beml.co.in

**New Delhi**  
Tel : 011-23316500  
e-mail : delhi@rm.beml.co.in

**Ranchi**  
Tel : 0651-2560370  
e-mail : ranchi@rm.beml.co.in

**Sambalpur**  
Tel : 0663-2521604  
e-mail : sambalpur@rm.beml.co.in

**Singrauli**  
Tel : 07805-268260  
e-mail : singrauli@rm.beml.co.in

## BEML Service Centres :

Moula Ali, Hyderabad  
Tel : 040-27240873  
e-mail : sh@Zonal.beml.co.in

Ongole - Service Activity Centre  
Mobile No. 9440312607

Service Activity Centre  
Katni - 483501 (M. P.)  
Mobile No. : 9425156473

Service Centre & Stores  
Kolkata - 700088  
Tel : 033-24010782  
e-mail : storeskolkotte@rm.beml.co.in

Ref: CS/SE/Q-4/12

27.06.2020

National Stock Exchange of India Ltd.  
Listing Compliance Department  
Exchange Plaza, Bandra-Kurla  
Complex, Bandra (East),  
MUMBAI - 400 051

The BSE Limited  
Listing Compliance Department  
P.J. Towers, 26<sup>th</sup> Floor,  
Dalal Street,  
MUMBAI - 400 001

Dear Sir/Madam,

**Sub:** Audited Financial Results for the year ended 31.03.2020 together with the results for the Fourth quarter - Reg.

**Ref:** Our letter No. CS/SE/Q-4/10 dt.19.06.2020

Please find enclosed Audited financial results including consolidated financial results, in the detailed format, along with Auditor's Report and Impact of Audit Qualification (for audit report with modified opinion), for the year ended 31.03.2020 together with the results for the Fourth quarter in terms of Regulation 33 of the (Listing Obligations and Disclosure Requirements) Regulations, 2015. The said results have been considered and approved by the Board at its 363<sup>rd</sup> meeting held on 27.06.2020. Arrangements have also been made to publish the extract of the results in a national daily (English) and local daily (Kannada) newspapers.

In terms of Regulation 33(3)(d) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we declare that the Statutory Auditors of the Company have issued Audit Report with unmodified opinion for Standalone financial results for the year ended 31.03.2020.

It may be noted that the Board of Directors had approved an Interim Dividend of Rs.2.50 per equity share on 13.03.2020. Further, the Board of Directors have recommended a final dividend of Rs 3.50 per equity share for the year ended 31.03.2020. Please bring this to the notice of all concerned.

Yours faithfully

For BEML LIMITED

*S V Ravisekhar Rao*  
27/6/2020

(S V Ravisekhar Rao)

Company Secretary & Compliance Officer



Encl : As above

**BEML Limited**

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Registered Office : "BEML SOUDHA", 23/1, 4th Main Road, S.R. Nagar, Bengaluru - 560 027.

Tel. &amp; Fax: (080) 22963142, E-mail: cs@beml.co.in, Website: www.bemlindia.in

**Statement of Standalone / Consolidated Audited Results for the year ended 31-03-2020**

(₹ in lakhs except EPS)

S. No	Particulars	Unaudited results for three months ended			Audited results for year ended		Consolidated audited results for year ended	
		31-03-2020	31-12-2019	31-03-2019	31-03-2020	31-03-2019	31-03-2020	31-03-2019
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
I	Revenue from operations	1,06,642	69,359	1,36,848	3,02,882	3,48,106	3,02,544	3,47,425
II	Other income	2,564	629	905	4,855	2,312	4,856	2,324
III	<b>Total Income (I+II)</b>	<b>1,09,206</b>	<b>69,988</b>	<b>1,37,753</b>	<b>3,07,737</b>	<b>3,50,418</b>	<b>3,07,400</b>	<b>3,49,749</b>
IV	<b>Expenses:</b>							
	Cost of materials consumed	66,506	37,850	73,546	1,89,051	1,97,062	1,88,156	1,95,063
	Purchase of stock-in-trade	-	-	-	-	-	-	-
	Changes in inventories of finished goods, stock-in-trade and work-in-progress	(13,792)	(2,796)	1,634	(29,194)	1,423	(29,147)	1,652
	Employee benefits expense	22,928	20,743	22,186	84,387	80,193	84,807	80,575
	Finance costs	970	973	1,576	4,050	5,939	4,074	5,961
	Depreciation and amortization expense	1,760	1,789	1,731	7,130	6,958	7,238	7,072
	Other expenses	16,633	10,947	14,109	49,907	45,747	50,336	46,381
	<b>Total Expenses (IV)</b>	<b>95,005</b>	<b>69,506</b>	<b>1,14,782</b>	<b>3,05,331</b>	<b>3,37,322</b>	<b>3,05,463</b>	<b>3,36,704</b>
V	Profit / (Loss) before exceptional items and tax (III-IV)	14,201	482	22,971	2,406	13,096	1,936	13,045
VI	Add/ (Less) : Exceptional items	-	-	-	-	-	-	-
VII	<b>Profit / (Loss) before tax (V-VI)</b>	<b>14,201</b>	<b>482</b>	<b>22,971</b>	<b>2,406</b>	<b>13,096</b>	<b>1,936</b>	<b>13,045</b>
VIII	Tax expense	(4,432)	-	6,747	(4,432)	6,747	(4,432)	6,729
IX	Profit / (Loss) for the year from continuing operations (VII-VIII)	18,633	482	16,224	6,838	6,349	6,368	6,316
X	Profit / (Loss) from discontinuing operations	-	-	-	-	-	-	-
XI	Tax expense of discontinued operations	-	-	-	-	-	-	-
XII	Profit / (Loss) from discontinued operations (after tax) (X-XI)	-	-	-	-	-	-	-
XIII	<b>Profit / (Loss) for the year (IX+XII)</b>	<b>18,633</b>	<b>482</b>	<b>16,224</b>	<b>6,838</b>	<b>6,349</b>	<b>6,368</b>	<b>6,316</b>
XIV	Other Comprehensive Income	(798)	(2,114)	2,249	(4,358)	(1,321)	(4,354)	(1,344)
XV	<b>Total Comprehensive Income for the year (XIII+XIV)</b>	<b>17,835</b>	<b>(1,632)</b>	<b>18,473</b>	<b>2,480</b>	<b>5,028</b>	<b>2,014</b>	<b>4,972</b>
XVI	Earnings per equity share: (₹10/- each) in ₹ Basic and diluted	44.74	1.16	38.96	16.42	15.24	15.29	15.17

**Notes**

- The above results as duly reviewed and recommended by Audit Committee were approved by the Board of Directors at the Meeting held on 27.06.2020.
- The Company has adopted Ind AS 116 Leases effective 1st April, 2019. Resulting impact in the financial results of current period is an increase of ₹ 109.80 lakh in depreciation on right-to-use assets and ₹ 82.00 lakh in finance costs on lease liability and decrease in lease rent of ₹ 150.53 lakh.
- The spread of COVID-19 Pandemic and subsequent lockdown in the last week of March 2020, has impacted the Company's turnover and production due to the closure of Company's manufacturing facilities, disruption in spares & service business, non receipt of materials due to global Covid impact even before the lockdown in the Country on account of supply chain disruptions, restrictive movements /non availability of required trailers etc, the impact of which could not be quantified.  
Based on the information available (internal as well as external) upto the date of approval of these financial results, Company expects to recover the carrying amounts of intangible assets, trade receivables, inventory and other financial Assets. Efforts are being made to minimize the impact and Company will continue to closely monitor the developments & future economic & business outlook and its impact on Company's future financial statements.
- The Ministry of Corporate Affairs (MCA), Govt. of India vide notification dated 30.03.2019 has introduced Appendix C to Ind AS 12 i.e. Uncertainty over Income Tax Treatment w.e.f 01.04.2019 which calls for recognition and measurement of Tax expenses, Tax Liabilities/Assets when there is any uncertainty over Income Tax Treatment. The Company has assessed the effect of the above Appendix C to Ind AS-12 and determined that there is no impact of the same on the accounts of FY 2019-20.
- The Ministry of Law & Justice, Govt. of India vide Gazette notification dated 20.09.2019 introduced section 115BAA with an option to choose revised Tax structure applicable w.e.f 01.04.2019 to Domestic Companies without claiming specific deductions u/s 35(2AB), deduction under Chapter-VIA, MAT Credit benefits, Carry Forward Business Losses, Additional Depreciation u/s 32(1)(ia) and other deductions as specified in the said section.  
Based on the internal assessment, the Company has decided not to adopt the option u/s 115BAA. However, the same will be reviewed before filing the Annual Tax Return for FY 2019-20.
- The previous period's figures have been regrouped and reclassified wherever necessary to make them comparable with the current period's figures.
- Exemption has been granted by SEBI from publishing segment-wise information.
- The figures of last quarter are the balancing figures between audited figures in respect of the full financial year and the published year to date unaudited figures up to the third quarter of the current financial year.
- The Statement of Assets and Liabilities as at 31-03-2020 is enclosed.
- Financial results of Subsidiaries have been consolidated as indicated in Column no. (6) & (7).
- The Board of Directors had approved an Interim Dividend of ₹ 2.50 per equity share on 13.03.2020. The Board of Directors have recommended a dividend of ₹3.50/- per equity share for the year ended 31-03-2020.

By order of the Board  
for BEML Limited

(D K HOTA)

Chairman and Managing Director

Place: Bangalore  
Date : 27.06.2020SIVAKUMAR  
JAYAVELUDigitally signed by Sivakumar Jayavelu  
DN: cn=Sivakumar Jayavelu, o=BEML Limited,  
ou=Finance, email=sivakumar.jayavelu@beml.co.in,  
c=IN

डॉ. दीपक कुमार होता Dr. Deepak Kumar Hota  
अध्यक्ष एवं प्रबंध निदेशक Chairman & Managing Director  
बीईएमएल लिमिटेड BEML LIMITED  
'बेमल सूद्धा', 23/1, चौथा मंज, एस.आर. नगर  
BEML Soudha, 23/1, 4th Main, S.R.Nagar  
बेंगलूरु BENGALURU - 560 027.

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**Standalone / Consolidated Statement of Assets and Liabilities**

(₹ in Lakhs)

Particulars	Standalone as at		Consolidated as at	
	31-03-2020 Unaudited	31-03-2019 Unaudited	31-03-2020 Unaudited	31-03-2019 Unaudited
<b>I. Assets</b>				
<b>(1) Non-current assets</b>				
(a) Property, Plant and Equipment	55,937	57,306	56,933	58,407
(b) Right of Use Asset	875	-	875	-
(c) Capital work-in-progress	1,528	2,528	1,542	2,545
(d) Intangible assets	4,281	4,681	4,281	4,681
(e) Intangible assets under development	-	-	-	-
(f) Financial assets:				
(i) Investments	258	258	-	-
(ii) Loans	10	9	10	9
(iii) Other financial assets	54	51	54	51
(f) Deferred tax assets (net)	20,800	11,748	20,840	11,788
(g) Other non-current assets	6,980	6,877	6,378	6,275
<b>Total non-current assets</b>	<b>90,723</b>	<b>83,458</b>	<b>90,913</b>	<b>83,756</b>
<b>(2) Current assets</b>				
(a) Inventories	2,00,272	1,70,227	2,00,772	1,70,951
(b) Financial Assets:				
(i) Investments	-	-	-	0
(ii) Trade receivables	1,51,037	1,61,305	1,51,037	1,61,396
(iii) Contract Assets	30,385	48,916	30,385	48,916
(iv) Cash and cash equivalents	2,734	2,237	2,734	2,237
(v) Bank Balance Other than (iv) above	51	906	51	906
(vi) Loans	-	817	-	817
(vii) Other financial assets	607	641	609	644
(viii) Current tax assets (Net)	7,153	7,559	7,153	7,569
(c) Other current assets	23,709	23,983	23,521	24,045
<b>Total current assets</b>	<b>4,15,948</b>	<b>4,16,591</b>	<b>4,16,262</b>	<b>4,17,483</b>
<b>Total Assets</b>	<b>5,06,671</b>	<b>5,00,050</b>	<b>5,07,175</b>	<b>5,01,239</b>
<b>II. Equity and Liabilities</b>				
<b>Equity</b>				
(a) Equity share capital	4,177	4,177	4,177	4,177
(b) Other Equity	2,21,538	2,14,547	2,21,100	2,14,560
<b>Equity attributable to equity holders of the parent</b>	<b>2,25,715</b>	<b>2,18,725</b>	<b>2,25,277</b>	<b>2,18,737</b>
<b>Non-controlling interests</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>20</b>
<b>Total Equity</b>	<b>2,25,715</b>	<b>2,18,725</b>	<b>2,25,281</b>	<b>2,18,757</b>
<b>Liabilities</b>				
<b>(1) Non-current liabilities</b>				
(a) Financial liabilities:				
(i) Borrowings	20,149	30,297	20,149	30,297
(ii) Other financial liabilities	42	42	42	42
(b) Provisions	18,635	17,571	18,635	17,571
(c) Other non-current liabilities	98,357	33,346	98,357	33,346
<b>Total non-current liabilities</b>	<b>1,37,183</b>	<b>81,256</b>	<b>1,37,183</b>	<b>81,256</b>
<b>(2) Current liabilities</b>				
(a) Financial liabilities:				
(i) Borrowings	3,620	9,751	3,811	9,917
(ii) Trade payables:				
(A) Micro & Small Enterprises	2,972	2,550	2,998	2,574
(B) Other than Micro & Small Enterprises	63,154	73,659	63,476	74,123
(iii) Other financial liabilities	12,374	3,850	12,399	3,882
(b) Other current liabilities	40,591	75,755	40,625	75,836
(c) Provisions	21,062	30,545	21,402	30,925
(d) Current tax liabilities (Net)	-	3,959	-	3,968
<b>Total current liabilities</b>	<b>1,43,773</b>	<b>2,00,069</b>	<b>1,44,711</b>	<b>2,01,226</b>
<b>Total Equity and Liabilities</b>	<b>5,06,671</b>	<b>5,00,050</b>	<b>5,07,175</b>	<b>5,01,239</b>

**Disclosure under Ind AS-8, for adjustment of prior period items****1. Nature of the Prior Period Item:**

There was a mistake in Computation of Total Taxable Income and Deferred Tax Assets/ Liabilities while calculating Tax Liability in the Books of accounts in FY 2016-17, 2017-18 and 2018-19 which were mainly on account of add back of OCI amounts in Gratuity and PRMS and not claiming full deductions for other expenses like provision for PRP, Provision for Wage Revision etc. This led to computation of higher tax liabilities with consequential impact of payment of extra Taxes in these years as well as excess utilization of MAT Credit.

**2. Amount Of correction :**

(₹ in Lakhs)

Financial Year	Deferred Tax Assets (for MAT credit) (1)	Current Tax Assets (for Refund Due) (2)	Retained Earnings (3=1+2)
Upto 2016-17	3,231	-91	3,140
2017-18	494	1,405	1,899
2018-19	351	1,631	1,982
<b>TOTAL</b>	<b>4,076</b>	<b>2,945</b>	<b>7,021</b>

3. Such mistakes have been adjusted to the opening Balance of Retained Earnings as of 01.04.2019.

4. The impact of the said error have been carried out by adjustment to Retained Earnings as of 01.04.2019.

By order of the Board  
for BEML Limited

(D K HOTA)

Chairman and Managing Director

Place: Bangalore

Date: 27.06.2020

**SIVAKUMAR  
JAYAVELU**

Digitally signed by SIVAKUMAR JAYAVELU  
DN: cn=SIVAKUMAR JAYAVELU, o=BEML LIMITED, ou=Finance, email=SIVAKUMAR.JAYAVELU@beml.co.in, c=IN

**डॉ. दीपक कुमार होत Dr. Deepak Kumar Hota**  
अध्यक्ष एवं प्रबंध निदेशक Chairman & Managing Director  
बीएमएल लिमिटेड BEML LIMITED  
'बेमल सूडहा', 23/1, चौथा मंज, एस.आर. नगर  
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**Standalone / Consolidated Cash Flow Statement**

(₹ in Lakhs)

Particulars	Standalone for the year ended				Consolidated for the year ended			
	31-03-2020		31-03-2019		31-03-2020		31-03-2019	
	Sub item	Main Item	Sub item	Main Item	Sub item	Main Item	Sub item	Main Item
<b>A. Cash flow from operating activities</b>								
Net profit before tax and extraordinary items		2,406.36		13,095.86		1,936.48		13,044.76
<i>Adjustments for</i>								
Depreciation and amortization expense	7,129.92		6,958.17		7,237.97		7,072.62	
(Gain)/loss on disposal of property, plant and equipment	(23.32)		(5.43)		(23.32)		(5.43)	
Foreign exchange loss / (gain)	(64.94)		44.07		(64.94)		44.07	
Allowance for obsolescence			817.90				817.90	
Bad debts written off	-		-		-		-	
Financing Cost	4,050.18		5,939.40		4,073.54		5,960.51	
Interest income	(82.85)		(193.73)		(82.85)		(194.07)	
Dividend received from subsidiaries	-		(13.47)		-		-	
Other Provisions / Allowances	(14,797.41)	(3,788.42)	(4,981.40)	8,565.51	(15,847.18)	(4,706.78)	(5,735.80)	7,959.80
<b>Operating Profit / (Loss) before changes in working capital</b>		(1,382.06)		21,661.37		(2,770.29)		21,004.56
<i>Adjustment for</i>								
Inventories	(32,076.84)		7,402.07		(30,693.63)		8,226.01	
Trade & other receivables	26,862.07		(41,070.10)		26,953.70		(41,158.98)	
Other current assets	(8,617.14)		2,156.24		(8,357.26)		2,067.33	
Trade payables	(10,018.29)		22,657.52		(10,158.19)		22,648.03	
Other payables	28,369.19	4,518.99	15,339.75	6,485.48	28,312.54	6,057.15	15,369.49	7,151.88
<b>Cash generated from operations</b>		3,136.93		28,146.85		3,286.86		28,156.44
Direct taxes (paid) / refunded		7,306.51		(2,474.53)		7,297.03		(2,474.53)
<b>Net cash flow from / (used in) operating activities</b>		10,443.44		25,672.32		10,583.89		25,681.91
<b>B. Cash flow from investing activities</b>								
Purchase of property, plant and equipment	(5,214.95)		(6,007.50)		(5,214.95)		(6,060.84)	
Purchase of intangible assets	(500.22)		(408.70)		(500.22)		(408.70)	
Sale of property, plant and equipment	502.45		35.71		502.45		35.71	
Sale of intangible assets								
Investments in subsidiaries	146.19		39.36		-		-	
Interest Received	82.85		193.73		84.49		190.69	
Dividends from subsidiaries	-		13.47		-		-	
<b>Net cash flow from / (used in) investing activities</b>		(4,983.68)		(6,133.93)		(5,128.23)		(6,243.14)
<b>C. Cash flow from financing activities</b>								
Proceeds/(Repayments) of Soft loan	(146.06)		(609.71)		(146.06)		(609.71)	
Financing Cost	(4,050.19)		(5,941.82)		(4,071.04)		(5,962.19)	
Adjustment in retained earnings	7,020.23		(54.08)		7,020.23		(57.73)	
Dividend & Tax paid for equity shares	(2,510.24)		(6,272.94)		(2,510.24)		(6,289.76)	
<b>Net cash flow from / (used in) financing activities</b>		313.74		(12,878.55)		292.89		(12,919.39)
<b>Net increase/(decrease) in cash and cash equivalents</b>		5,773.51		6,659.84		5,748.56		6,519.38
Cash and Cash Equivalents, Beginning of the year		(6,608.42)		(13,268.26)		(6,774.33)		(13,293.71)
Cash and Cash Equivalents, Ending of the year (Refer Note 15 d)		(834.92)		(6,608.42)		(1,025.77)		(6,774.33)

By order of the Board  
for BEML Limited

(D K HOTA)

Chairman and Managing Director

**डॉ. दीपक कुमार हॉता Dr. Deepak Kumar Hota**  
**अध्यक्ष एवं प्रबंध निदेशक Chairman & Managing Director**  
**बीईएमएल लिमिटेड BEML LIMITED**  
**'बेमल सौधा', 23/1, चौथा मंच, एस.आर. नगर**  
**BEML Soudha, 23/1, 4th Main, S.R.Nagar**  
**बेंगलूरु BENGALURU - 560 027.**

Place: Bangalore  
Date : 27.06.2020

**SIVAKUMAR  
JAYAVELU**

Digitally signed by SIVAKUMAR JAYAVELU  
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**INDEPENDENT AUDITOR'S REPORT**  
To the members of **BEML LIMITED**

**Report on the Standalone Financial Statements**

**Opinion**

1. We have audited the accompanying standalone financial statements of **BEML LIMITED** ("the company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the 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 (hereinafter referred to as "the standalone financial statements").
2. 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 Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the India Accounting Standards prescribed under section 133 read with the Companies (Indian Accounting Standards) Rules, 2015 as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the company as at March 31, 2020 and its **PROFIT**, change in equity and its cash flows for the year ended on that date.

**Basis for Opinion:**

3. 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 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 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.

**Emphasis of Matter:**

4. We draw our attention to:
  - a) **Note No. 11(a)** in respect of the amount advanced to MAMC consortium for Rs.6053.89 lakhs, realization/settlement of which depends on approval from Ministry of Defence and viable business plan.
  - b) **Note No.14** in respect of Trade receivable from MOD Rs. 4,929.12 lakhs towards exchange rate difference and escalation for import of components in respect of a long term contract for Design, Development and Supply, entered into with MOD in 2001. The company has received the requisite amendment to the contract in this regard from MOD towards acceptance of BEML's claim on account of exchange rate variation in Euro and the realization of these receivables depends on the final determination of the amount payable by MOD



- c) **Refer Note 18 (ii)** with respect to Claims outstanding from railway board an Inter- Ministerial Committee has been formed by MOD to resolve the issues and the company does not expect material impact on its realization.
- d) **Note No. 39(G)** regarding pending confirmation, reconciliation, review/adjustment of balances in respect of advances, balances with government departments, trade payable, trade receivable, other loans and advances and deposits.
- e) **Note No. 39(P)** with respect to impact of COVID 19 and its consequential impact.

Our opinion is not qualified in respect of the above matters.

**Key Audit Matters:**

5. 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 standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report:

Sl.No	Key Audit Matters	Auditor's Response
a.	<p><b><i>Accuracy of recognition, measurement, presentation and disclosures of revenues and other related balances in view of adoption of Ind AS 115 "Revenue from Contracts with Customers" (new revenue accounting standard):</i></b></p> <p>The application of the new revenue accounting standard involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognised over a period. Additionally, new revenue accounting standard contains disclosures which involves collation of information in respect of disaggregated revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date.</p> <p><i>Refer Note 30 to the Standalone Financial Statements</i></p>	<p><b><i>Principal Audit Procedures</i></b></p> <p>We assessed the Company's process to identify the impact of adoption of the new revenue accounting standard. Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as follows:</p> <ul style="list-style-type: none"> <li>○ Evaluated the design of internal controls relating to implementation of the new revenue accounting standard.</li> <li>○ Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving enquiry and observation, reperformance and inspection of evidence in respect of operation of these controls.</li> <li>○ Selected a sample of continuing and new contracts and performed the following procedures: <ul style="list-style-type: none"> <li>▪ Read, analysed and identified the distinct performance obligations in</li> </ul> </li> </ul>



		<p>these contracts.</p> <ul style="list-style-type: none"> <li>▪ Compared these performance obligations with that identified and recorded by the Company.</li> <li>▪ Considered the terms of the contracts to determine the transaction price including any variable consideration to verify the transaction price used to compute revenue and to test the basis of estimation of the variable consideration.</li> <li>▪ In respect of samples relating to metro contracts, progress towards satisfaction of performance obligation used to compute recorded revenue was verified with actual cost incurred up to that stage with estimation. We also tested the access and change management controls relating to these systems.</li> <li>▪ Sample of revenues disaggregated by type and service offerings was tested with the performance obligations specified in the underlying contracts.</li> <li>▪ Performed analytical procedures for reasonableness of revenues disclosed by type and service offerings.</li> <li>▪ We reviewed the collation of information from the budgeted information of the management used to prepare the disclosure relating to the periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date.</li> </ul>
<p>b.</p>	<p><b>Recoverability and assessment of Trade Receivables, advances, balances with government departments</b>  The Company has net trade receivable (Note No.14) of Rs. 1,51,037.35 lakhs after providing for impairment of Rs. 22,509.24 lakhs and net Advances &amp; balances with Government Departments (Note No. 18) of Rs. 23,708.80 lakhs after providing for impairment of Rs. 9,718.55 lakhs</p> <p>Trade receivables, advances, balances</p>	<p><b>Principal Audit Procedures</b>  We have performed the following procedures in relation to the recoverability of trade receivables:</p> <ul style="list-style-type: none"> <li>○ Tested the accuracy of aging of trade receivables, advances, balances with government departments at year end on a sample basis.</li> <li>○ Obtained a list of outstanding receivables and identified any debtors wherever there is delay in payment over the terms agreed.</li> <li>○ Assessed the recoverability of the</li> </ul>



	<p>with government departments of the company comprise mainly receivables in relation to the manufacturing and sale of (i) Earth Moving equipment (ii) Rail &amp; Metro Products (iii) Defence products (iv) spares and services (v) Advance to Vendors and (vi) Duties and taxes etc.</p> <p>These balances are recognised at their anticipated realisable value, which is the original invoiced amount/payments less provision (estimated for) for non-realizable value.</p> <p>Valuation of trade receivables, advances, and balances with government departments is a key audit matter in the audit due to the size of its holding and the high level of management judgement used in determining the impairment provision.</p>	<p>unsettled receivables on a sample basis through our evaluation of management's assessment with reference to the credit profile of the customers, historical payment pattern of customers and latest correspondence with customers and to consider if any additional provision should be made; and</p> <ul style="list-style-type: none"> <li>○ Tested subsequent settlement of trade receivables after the balance sheet date on a sample basis, if any.</li> </ul> <p>We found the key judgements and assumptions used by management in the recoverability assessment of trade receivables to be supportable based on the available evidence.</p> <p>We have drawn attention in Emphasis of Matters on trade receivables, advances and balances with government departments which, in our judgement, are fundamental to the users' understanding of the financial statements.</p>
<p>c.</p>	<p><b>Disputes and potential litigations:</b>  <i>Refer to Note 39.D.I.a.i. in the standalone financial statements</i></p> <p>The Company is involved in legal proceedings on disputed tax demands. The company's management has assessed that the probability of success of the demand is Remote and accordingly has not provided for the disputed demands.</p> <p>Management judgement is involved in assessing the accounting for demands, and in particular in considering the probability of a demand being successful and we have accordingly designated this as a focus area of the audit. The risk related to the claims is mainly associated with the completeness of the disclosure, and the completeness of the provisions in the financial statements.</p>	<p><b>Principal Audit Procedures</b></p> <p>In response to the risk of completeness of the disclosures and the completeness of the provisions in the financial statements, we discussed the cases with management, and reviewed correspondence and other documents exchanged between company and advocates/legal practitioners parties involved in the disputes. We verified the demands with extracts of concerned web-portals produced on, sample basis.</p> <p>We tested provisions recorded in the accounting records and reviewed the disclosures for completeness based on our procedures detailed above.</p>

**Information Other than the Standalone Financial Statements and Auditor's Report Thereon**

6. The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Board's Report including Annexures to



Board's Report, Management Discussion and Analysis, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the standalone financial statements and our auditor's report thereon. Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements:**

7. 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, changes in equity 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 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
8. In preparing the standalone financial statements the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
9. The Board of Directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Standalone Financial Statements:**

10. Our objectives are to obtain reasonable assurance about whether the standalone 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 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 standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism 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 with reference to standalone financial statements 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 standalone financial statements, including the disclosures, and whether the standalone 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 standalone 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.

#### **Report on other Legal and Regulatory Requirements**

11. 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.

12. 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, Statement of Changes in Equity and 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 Ind AS Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) Being a Government Company provisions of section 164(2) of the Act relating to disqualification of directors are not applicable.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company's financial statements and the operating effectiveness of such controls, refer to our separate Report in **Annexure B**.
- g) With respect to 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 has disclosed the impact of pending litigations on its financial position in its standalone financial statements. Refer Note 39(D)(I)(a)(ii) of standalone financial statements.
  - ii. The Company did not have any derivative contracts but have provided material foreseeable losses of Rs.120.18 Lakhs ( PY Rs. 1123.57 Lakhs) for onerous contracts (*Refer Note 37*).
  - iii. There were no amounts which required to be transferred by the Company to the Investor Education and Protection Fund.

13. As required by Section 143(5) of the Act, which is applicable to the Company, we give our separate report in **Annexure – C**

**For V. KRISHNAN & CO.,**  
Chartered Accountants  
Firm Regn No: 001541S

**J.SIVAKUMAR-Partner,**  
Membership No. 217774

Place: Bengaluru (camp)  
Date: 27.06.2020



**ANNEXURE-A**

**Referred in paragraph 11 of the INDEPENDENT AUDITOR'S REPORT of even date on the standalone financial statements of M/s. BEML LIMITED for the year ended 31.03.2020**

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we report that,

- i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) The Fixed Assets have been physically verified by the management in a phased manner, designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and nature of its business. Pursuant to the program, a portion of the fixed asset has been physically verified by the management during the year and as informed to us, no material discrepancies have been noticed between the book records and physical verification of fixed assets.
- (c) The title deeds of immovable properties are held in the name of the company except in the following cases.
- 1) As explained to us, Building costing Rs. 33.00 lakhs (carrying value Rs.15.34 lakhs) situated at Mumbai and Ranchi are pending for registration / khatha transfer .
  - 2) As explained to us, Lease Hold land costing Rs. 129.41 Lakhs at Hyderabad for which registration will be completed after development of showroom.
  - 3) As explained to us, free hold land measuring 560 acres at Mysore costing Rs. 307.58 lakhs (including additional compensation of Rs. 183.57 lakhs demanded by KIADB) for which title deeds have to be obtained from KIADB.
  - 4) Kerala Industrial Infrastructure Development Corporation (KIIDC) has allotted Leased land measuring 374.59 acres for a lease premium of Rs. 2547.21 lakhs for 99 years lease period w.e.f 01.07.2009. The actual land handed over by KIIDC was measuring 374.16 acres and revised lease premium payable is Rs. 2544.29 lakhs only and execution of formal amendment of lease agreement is pending.
  - 5) As explained to us, the Company has taken land measuring 1109 acres and two workshops on lease for a period of 10 years vide Lease Agreement dated 5th May 2004, w.e.f. 28.04.2004 from M/s. Bharat Gold Mines Limited (BGML) and a sum of 100 Lakhs was paid as non-refundable deposit, The Company had incurred on the above land a sum of Rs. 1452.95 lakhs ( with carrying value of Rs.903.83 Lakhs) on Buildings included in Property, Plant and Equipment (Note 3) as at the year end. Vide order dated 09.07.2013, the Hon'ble Supreme Court of India upheld the decision of the Union Government to float a global tender of BGML assets with an observation about the existence of sub-lease of a portion of the land to BEML Ltd expired on 28.04.2014 to be included in the tender documents. The Company filed an Interlocutory application before the Hon'ble Supreme Court of India, praying for exclusion of land leased to BEML from the purview of global tender, which was dismissed. Since the lease agreement provides for the continuation of the lease even after the expiring of lease period on 28.04.2014 till the final decision of the Company / Government in this regard, the operations of the company on the above land is continued.



- 6) As explained to us, the Company has taken action to obtain title documents in respect of the following immovable properties;
- Flat at Roshan Complex Madras – Rs. 4.04 lakhs
  - Flat at Ashadeep, New Delhi - Rs. 2.80 lakhs
  - Office building at Nagpur - Rs. 27.18 lakhs
- 7) The Company has initiated legal action to obtain possession of 1.88 acres of land out of 5 acres at Tatisileai, Arra Village, Ranchi.
- ii) The company has conducted the physical verification of the inventory excluding materials lying with third parties and work in progress during the year in accordance with programme designed to cover all items over a phased manner. According to the information and explanation given to us and in our opinion the frequency of physical verification is reasonable. The discrepancies noticed on physical verification of the inventory as compared to books records which has been properly dealt with in the books of account were not material.
- iii) 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 Act. Accordingly, the provisions of paragraph 3 (iii) (a) (b) and (c) of the Order are not applicable to the Company.
- iv) There are no transactions of loans to directors, and being a Government Company engaged in defence production, provisions of Sec 185 and 186 of the Companies Act, 2013 in respect of loans, investments, guarantees and security are not applicable.
- v) The Company has not accepted any deposits to which the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under and also the directions issued by the Reserve Bank of India.
- vi) Maintenance of Cost Records has been specified by the Central Government under sub-section (1) of Section 148 of the Act, in respect of the activities carried on by the company. We are of the opinion that prima facie, the prescribed records have been made and maintained.
- vii) (a) The Company has been generally 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 any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the above were in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.
- (b) The details of dues of income-tax, sales tax, service tax, duty of customs, duty of excise, value added tax outstanding on account of any dispute, is furnished below :-

Name Of The Statute	Nature Of Disputed Tax	Amount (Rs. Lakhs)	Period To Which The Amount Relates	Forum Where The Dispute Is Pending
Central Excise Act, 1944	Excise Duty incl. Interest and Penalty	28,487.19	2007-08 to June 2017	CESTAT, Bangalore



	Excise Duty incl. Interest and Penalty	375.09	2013-14	Appellate Authority
	National Calamity Contingency Duty	1,305.68	2014-15	CESTAT
	<b>Total Excise Duty</b>	<b>30,167.95</b>		
Service Tax Act, 1994	Service Tax including penalty	430.25	Feb 2014 to March 2015	CESTAT, Bangalore
	Service Tax	2,100.50	2009-10 to 2016-17	Appellate Authority
	<b>Total Service Tax</b>	<b>2,530.75</b>		
The Customs Act, 1962	Customs Duty	2,226.97	2008-09 to 2016-17	CESTAT, Chennai
The Karnataka Municipal Corporation Act, 1976	Municipality Taxes KGF	690.11	2012	City Municipality council – KGF
	Property Tax	109.11	1995-96 to 2005-06	City Civil Judge, Bangalore
	<b>Total ED, Service Tax, CD &amp; Property tax</b>	<b>35,724.89</b>		
Sales Tax Act of Various States	Sales Tax /VAT	10.24	2003-04	Maharashtra Sales Tax tribunal
	Sales Tax /VAT	6,650.29	January 2008 to 2017-18	Karnataka Sales Tax tribunal
	Sales Tax /VAT	500.40	2009-10, 2015-16	WB Commercial taxes Appellate and Revision Board, Kolkatta
	Sales Tax /VAT	1,875.61	From 2004-05 to 2016-17	Other appellate authorities
	<b>Total Sales Tax / VAT</b>	<b>9,036.54</b>		
	<b>Grand Total</b>	<b>44,761.43</b>		
Amount Deposited under Protest	Central Excise/Customs	208.07		
Amount Deposited under Protest	Sales Tax VAT	3,115.00		
	<b>TOTAL</b>	<b>3,323.07</b>		



- viii) The Company has not defaulted in repayment of loans or borrowings due to financial institutions, banks, Government and to debenture holders.
- ix) The company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans during the year.
- x) Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the company by its officers or employees has been noticed or reported during the year.
- xi) Being a Government company, the provisions of sec 197 read with schedule V to the Act, relating to the managerial remuneration are not applicable.
- xii) The Company is not a Nidhi Company and accordingly paragraph 3 (xii) of the Order is not applicable to the Company.
- xiii) All transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed under Note 39C in the standalone financial Statements as required by the applicable Accounting Standards.
- xiv) The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year and accordingly paragraph 3 (xiv) of the Order is not applicable to the Company.
- xv) The company has not entered into any non-cash transactions with directors or persons connected with him and accordingly paragraph 3 (xv) of the Order is not applicable to the Company.
- xvi) The Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly paragraph 3 (xvi) of the Order is not applicable to the Company.

**For V. KRISHNAN & CO.,**  
Chartered Accountants  
Firm Regn No: 001541S

**J.SIVAKUMAR-Partner,**  
Membership No. 217774

Place: Bengaluru (camp)  
Date: 27.06.2020



**ANNEXURE -B**

**Referred in clause (f), paragraph 12 of the INDEPENDENT AUDITOR'S REPORT of even date on the standalone financial statements of M/s. BEML LIMITED for the year ended 31.03.2020**

**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 **M/s. BEML LIMITED** (hereinafter referred as "**the Company**") as of March 31, 2020 in conjunction with our audit of the standalone 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 (the Guidance Note) 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 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, plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were 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 judgement, including the assessment of the risks of material misstatement of the standalone 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



**Page -2 (Annexure-B)**

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 unauthorized 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 over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> March 2020, 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 V. KRISHNAN & CO.,**  
Chartered Accountants  
Firm Regn No: 001541S

**J.SIVAKUMAR-Partner,**  
Membership No. 217774

Place: Bengaluru (camp)  
Date: 27.06.2020



**ANNEXURE -C**

**Referred in paragraph 13 of the INDEPENDENT AUDITOR'S REPORT of even date on the standalone financial statements of M/s. BEML LIMITED for the year ended 31.03.2020**

**Report as required by section 143 (5) of the Act, 2013 relating to the directions issued by the Comptroller and Auditor General of India.**

- I. 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 the accounts along with the financial implications, if any, may be stated.

Comment: Yes, the company has system in place to process all the accounting transactions through IT system. We observed that no accounting transactions are processed outside IT system on the integrity of the accounts.

- II. Whether there is any restructuring of an existing loan or cases of waiver/write off of debts /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.

Comment: There are no instances of restructuring of an existing loan or cases of waiver/write off of debts/loans/interest etc made by a lender to the company due to company's inability to repay the loan.

- III. Whether funds received/receivable for specific schemes from central / state agencies were properly accounted for/ utilized as per its term and conditions? List the cases of deviation.

Comment: The Company, during the year of audit, has not received/receivable of funds for specific schemes from Central/State agencies.

**For V. KRISHNAN & CO.,**  
Chartered Accountants  
Firm Regn No: 001541S

**J.SIVAKUMAR-Partner,**  
Membership No. 217774

Place: Bengaluru (camp)  
Date: 27.06.2020



**INDEPENDENT AUDITOR'S REPORT**  
To the members of **BEML LIMITED**

**Report on the Audit of Consolidated Financial Statements**

**Qualified Opinion**

1. We have audited the accompanying consolidated financial statements of **BEML LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiaries (holding company and its subsidiaries together referred to as "the Group"), its associates and jointly controlled entities which comprise consolidated Balance Sheet as at March 31, 2020, the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated Statement of Changes in Equity and the consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").
2. In our opinion and to the best of our information and according to the explanations given to us, **except for the effects of the matters described under the "Basis for Qualified Opinion" section of our report**, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the India Accounting Standards prescribed under section 133 read with the Companies (Indian Accounting Standards) Rules, 2015 as amended, ("Ind AS") and other accounting principles generally accepted in India, of the consolidated state of affairs of the company as at March 31, 2020 and its consolidated **PROFIT**, consolidated changes in equity and its consolidated cash flows for the year ended on that date.

**Basis for Qualified Opinion:**

3. As explained in Note.7, the financial statements of BEML Midwest Limited, a joint venture Company, has not been consolidated in the absence of its financial statements. As per the accounting principles, the financial statements of this joint venture should have been consolidated using proportionate consolidation method. The effects on the consolidated financial statements, of the failure to consolidate this Joint Venture Company, net of provision for diminution already made in the value of the investment, has not been determined.
4. 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 consolidated financial statements* section of our report. We are independent of the Group 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 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.



**Emphasis of Matter:**

5. We draw our attention to:
- a) **Note No.11 (a)** in respect of the amount advanced to MAMC consortium for Rs.6053.89 lakhs, realization/settlement of which depends on approval from Ministry of Defence and viable business plan.
  - b) **Note No.14** Note No.14 in respect of Trade receivable from MOD Rs. 4,929.12 lakhs towards exchange rate difference and escalation for import of components in respect of a long term contract for Design, Development and Supply, entered into with MOD in 2001. The company has received the requisite amendment to the contract in this regard from MOD towards acceptance of BEML's claim on account of exchange rate variation in Euro and the realization of these receivables depends on the final determination of the amount payable by MOD
  - c) **Refer Note 18 (ii)** with respect to Claims outstanding from railway board an Inter- Ministerial Committee has been formed by MOD to resolve the issues and the company does not expect material impact on its realization.
  - d) **Note No. 39(G)** regarding pending confirmation, reconciliation, review/adjustment of balances in respect of advances, balances with government departments, trade payable, trade receivable, other loans and advances and deposits.
  - e) **Note No. 39(P)** with respect to impact of COVID 19 and its consequential impact.
  - f) In the books of MAMC Industries Limited, company is holding lease hold land taken from Urban Development Dept, Govt of West Bengal on 7<sup>th</sup> March 2011 and the said land is lying without erection of factory and as per the term No.25 of said lease deed, the Govt. of West Bengal has right to re-enter and take back the possession of the said land if no factory is erected within two years from the date of lease-and also have to right to cancel the lease deed. Further, the lease rentals remain unpaid since the date of lease, see Note No.3, Property, Plant and Equipment attached to the Balance Sheet, which is in non observance of point no 23 of the said lease deed.

Our opinion is not qualified in respect of the above matters.

**Key Audit Matters:**

6. Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report:

Sl.No	Key Audit Matters	Auditor's Response
a.	<b><i>Accuracy of recognition, measurement, presentation and disclosures of revenues and other related balances in view of adoption of Ind AS 115 "Revenue from</i></b>	<b><i>Principal Audit Procedures</i></b> We assessed the Company's process to identify the impact of adoption of the new revenue accounting standard. Our audit approach



<p><b><i>Contracts with Customers” (new revenue accounting standard):</i></b></p> <p>The application of the new revenue accounting standard involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognised over a period. Additionally, new revenue accounting standard contains disclosures which involves collation of information in respect of disaggregated revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date.</p> <p><i>Refer Note No.30 to the Consolidated Financial Statements</i></p>	<p>consisted testing of the design and operating effectiveness of the internal controls and substantive testing as follows:</p> <ul style="list-style-type: none"> <li>○ Evaluated the design of internal controls relating to implementation of the new revenue accounting standard.</li> <li>○ Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving enquiry and observation, reperformance and inspection of evidence in respect of operation of these controls.</li> <li>○ Selected a sample of continuing and new contracts and performed the following procedures: <ul style="list-style-type: none"> <li>▪ Read, analysed and identified the distinct performance obligations in these contracts.</li> <li>▪ Compared these performance obligations with that identified and recorded by the Company.</li> <li>▪ Considered the terms of the contracts to determine the transaction price including any variable consideration to verify the transaction price used to compute revenue and to test the basis of estimation of the variable consideration.</li> <li>▪ In respect of samples relating to metro contracts, progress towards satisfaction of performance obligation used to compute recorded revenue was verified with actual cost incurred up to that stage with estimation. We also tested the access and change management controls relating to these systems.</li> <li>▪ Sample of revenues disaggregated by type and service offerings was tested with the performance obligations specified in the underlying contracts.</li> </ul> </li> </ul>
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		<ul style="list-style-type: none"> <li>▪ Performed analytical procedures for reasonableness of revenues disclosed by type and service offerings.</li> <li>▪ We reviewed the collation of information from the budgeted information of the management used to prepare the disclosure relating to the periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date.</li> </ul>
b.	<p><b>Recoverability and assessment of Trade Receivables, advances, balances with government departments</b></p> <p>Trade receivables, advances, balances with government departments of the company comprise mainly receivables in relation to the manufacturing and sale of (i) Earth Moving equipment (ii) Rail &amp; Metro Products (iii) Defence products (iv) spares and services (v) Advance to Vendors and (vi) Duties and taxes etc.</p> <p>These balances are recognised at their anticipated realisable value, which is the original invoiced amount/payments less provision (estimated for) for non-realizable value.</p> <p>Valuation of trade receivables, advances, and balances with government departments is a key audit matter in the audit due to the size of its holding and the high level of management judgement used in determining the impairment provision.</p>	<p><b>Principal Audit Procedures</b></p> <p>We have performed the following procedures in relation to the recoverability of trade receivables:</p> <ul style="list-style-type: none"> <li>○ Tested the accuracy of aging of trade receivables, advances, balances with government departments at year end on a sample basis.</li> <li>○ Obtained a list of outstanding receivables and identified any debtors wherever there is delay in payment over the terms agreed.</li> <li>○ Assessed the recoverability of the unsettled receivables on a sample basis through our evaluation of management's assessment with reference to the credit profile of the customers, historical payment pattern of customers and latest correspondence with customers and to consider if any additional provision should be made; and</li> <li>○ Tested subsequent settlement of trade receivables after the balance sheet date on a sample basis, if any.</li> </ul> <p>We found the key judgements and assumptions used by management in the recoverability assessment of trade receivables to be supportable based on the available evidence.</p> <p>We have drawn attention in Emphasis of Matters on trade receivables, advances and balances with government departments which, in our judgement, are fundamental to the users' understanding of the financial statements.</p>
c.	<p><b>Disputes and potential litigations:</b> <i>Refer to Note 39.D.I.a.i. in the</i></p>	<p><b>Principal Audit Procedures</b></p> <p>In response to the risk of completeness of the</p>



<p><i>consolidated financial statements</i></p> <p>The Company is involved in legal proceedings on disputed tax demands. The company's management has assessed that the probability of success of the demand is Remote and accordingly has not provided for the disputed demands.</p> <p>Management judgement is involved in assessing the accounting for demands, and in particular in considering the probability of a demand being successful and we have accordingly designated this as a focus area of the audit. The risk related to the claims is mainly associated with the completeness of the disclosure, and the completeness of the provisions in the financial statements.</p>	<p>disclosures and the completeness of the provisions in the financial statements, we discussed the cases with management, and reviewed correspondence and other documents exchanged between company and advocates/legal practitioners parties involved in the disputes. We verified the demands with extracts of concerned web-portals produced on, sample basis.</p> <p>We tested provisions recorded in the accounting records and reviewed the disclosures for completeness based on our procedures detailed above.</p>
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**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements:**

7. The Holding Company's Board of Directors is responsible for preparation and presentation of these consolidated financial statements in terms of the requirements of the Companies Act 2013 that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group including its Associates and Jointly Controlled entities in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. The respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group 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 which have been used for the purpose of preparation of the consolidated financial statements by the directors of the Holding Company, as aforesaid..
  
8. In preparing the consolidated financial statements the respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entities are responsible for assessing the ability of the Group and of its associates and jointly controlled entities 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 Group or to cease operations, or has no realistic alternative but to do so.



9. The respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entities are responsible for overseeing the financial reporting process of the Group and its associates and jointly controlled entities.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements:**

10. Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 and its subsidiary companies which are companies incorporated in India has adequate internal financial controls with reference to consolidated financial statements 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements

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 standalone 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.

**Other Matters:**

11. We did not audit the financial statements/financial information of the subsidiary VIGNYAN INDUSTRIES LIMITED, whose financial statements/financial information reflect total assets of Rs. 1,184.41 lakhs as at 31.03.2020 and loss of Rs. 466.44 lakhs and net cash outflow amounting to Rs.NIL for the then year ended on that date as considered in the consolidated financial statements. The financial statements/financial information has been audited by other auditors and our opinion, on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary and our report in terms of sub-sections (3) and (11) of section 143 of the Act is based solely on the report of the other auditors.
12. We did not audit the financial statements of the subsidiary MAMC Industries Limited, whose financial statements reflect total assets of Rs. 458.13 lakhs as at 31.03.2020 and loss of Rs. 9.59 lakhs and net cash outflow amounting to Rs. 0.06 lakhs for the then year ended on that date as considered in the consolidated financial statements. The financial statements/financial information have been audited by other auditors whose report has been furnished to us by the Management and our opinion, on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary and our report in terms of sub-sections (3) and (11) of section 143 of the Act is based solely on the report of the other auditors.
13. We did not audit the financial statements of the subsidiary BEML BRAZIL INDUSTRIAL LTDA, whose



financial statements reflect total assets of Rs. NIL as at 31.03.2020 and loss of Rs. NIL lakhs and net cash out flow amounting to Rs. NIL for the then year ended. The financial statements have been audited by other auditor under local laws of Brazil. The financial information as on the date of consolidation has been furnished by the Management, by adopting average exchange rate of conversion for the year in respect of Statement of profit and loss and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosure of the subsidiary and our report in terms of sub-sections (3) and (11) of section 143 of the Act is based solely on the report of the other auditors.

14. Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements/financial information certified by the Management.

#### **Report on other Legal and Regulatory Requirements**

15. As required by section 143(3) of the Act, we report, to the extent applicable, 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 of the aforesaid consolidated financial statements.
  - b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
  - c) The consolidated Balance Sheet, the consolidated Statement of Profit and Loss, the consolidated Statement of Changes in Equity and the consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
  - d) In our opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of our report, the aforesaid consolidated 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) Being a Government Company provisions of section 164(2) of the Act relating to disqualification of directors are not applicable.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate Report in **Annexure A**.
  - g) With respect to 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 consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, its associates and jointly controlled entities. *Refer Note 39(D)(I)(a)(ii) of consolidated financial statements.*
    - ii. The Group its associates and jointly controlled entities did not have any derivative contracts but have provided material foreseeable losses of Rs. 120.18 Lakhs ( PY Rs. 1123.57 Lakhs) for onerous contracts (*Refer Note 37*).



- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, its subsidiary companies and jointly controlled companies incorporated in India.

**For V. KRISHNAN & CO.,**  
Chartered Accountants  
Firm Regn No: 001541S

**J.SIVAKUMAR-Partner,**  
Membership No. 217774

Place: Bengaluru (camp)  
Date: 27.06.2020



**ANNEXURE-A**

**Referred in clause (f), paragraph 15 of the INDEPENDENT AUDITOR'S REPORT of even date on the consolidated financial statements of M/s. BEML LIMITED for the year ended 31.03.2020**

**Report on the Internal Financial Controls with reference to the financial statements 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 **M/s. BEML LIMITED** (hereinafter referred as "**the Holding Company**") and its subsidiaries (holding company and its subsidiaries together referred to as "the Group") and its jointly controlled entity as of March 31, 2020 in conjunction with our audit of the consolidated financial statements of the Group for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Group's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Group considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the Guidance Note) 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 Group'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 Group's internal financial controls over financial reporting based on our audit and reports received from the auditors of two subsidiary companies. We conducted our audit in accordance with 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, plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were 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 judgement, 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 Group's internal financial controls system over financial reporting.



**Page -2 (Annexure-A)**

**Meaning of Internal Financial Controls over Financial Reporting**

A Group'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 Group'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 Group; (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 Group are being made only in accordance with authorisations of management and directors of the Group; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Group'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 Group (except BEML MIDWEST JOINT VENTURE ENTITY which has not maintained books of accounts and BEMEL BRAZIL INDUSTRIAL LTDA, which has been registered outside India) has, in all material respects, an adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> March 2020, based on "the internal control over financial reporting criteria established by the Group 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 V. KRISHNAN & CO.,**  
Chartered Accountants  
Firm Regn No: 001541S

**J.SIVAKUMAR-Partner,**  
Membership No. 217774

Place: Bengaluru (camp)  
Date: 27.06.2020