



भारत हेवी इलेक्ट्रिकल्स लिमिटेड Bharat Heavy Electricals Limited

FROM: I.P. SINGH, COMPANY SECRETARY,
BHEL, SIRI FORT, NEW DELHI – 110049
CIN: L74899DL1964GOI004281

TO:

1. BSE LIMITED, MUMBAI
(Through BSE Listing Centre)
2. NATIONAL STOCK EXCHANGE OF INDIA LTD., MUMBAI
(Through NEAPS)

**Sub: Audited Financial Results for the quarter & year ended 31st March, 2017 and
declaration of Final Dividend for FY 2016-17**

Pursuant to the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, it is informed that:

1. Audited Financial Results of BHEL for the quarter & year ended 31st March, 2017 have been approved by the Board of Directors of the Company in its meeting held on 29th May, 2017. A copy of the said results alongwith the Audit Report is enclosed herewith.
2. The Board has recommended Final Dividend @ 39% (Rs. 0.78 per share) on the paid up share capital of the Company for FY 2016-17. Final Dividend, if declared by the company in the Annual General Meeting shall be paid/ dispatched on 10.10.2017.
3. With reference to our communication dated 5th May, 2017 regarding 53rd AGM of the Company, it is informed that the Board has also revised Book closure dates and accordingly, Register of Members together with the Register of Share Transfers of BHEL will now be closed from 26th August, 2017 to 30th August, 2017 (both days inclusive) for the purpose of AGM and to ascertain the names of the Members, whose names appear in the Register of Members or as the Beneficial Owners of shares in the records of the Depositories as the absolute owners thereof, to whom the Final Dividend for the financial year 2016-17, if declared in the AGM, will be payable.

Time of commencement of meeting: 3 P.M.

Time of commencement of agenda regarding approval of Results & final Dividend: 5.30 P.M.

Time of conclusion of agenda regarding approval of Results & Final Dividend: 6.20 P.M.

No. AA/SCY/SEs

Date: 29.05.2017

(I.P. Singh)
Company Secretary
shareholderquery@bhel.in
www.bhel.com



BHARAT HEAVY ELECTRICALS LIMITED
AUDITED FINANCIAL RESULTS
FOR THE QUARTER/ YEAR ENDED 31st MARCH 2017

₹ Crores

PART - I

SL. NO.	PARTICULARS	Standalone Results					Consolidated Results	
		3 Months Ended 31.03.2017 # Audited (Note 10)	Preceding 3 Months Ended 31.12.2016 Unaudited	Corresponding 3 months ended 31.03.16 in prev.yr. Audited (Note 10)	Current Year Ended 31.03.2017 # Audited	Previous Year ended 31.03.2016 Audited	For year ended 31.03.2017 Audited	For year ended 31.03.2016 Audited
1	Income							
a	Sales/Income from Operations	9874.34	6464.86	10099.67	28840.42	26050.07	28871.89	26090.17
b	Other Operating Income	283.23	137.96	309.09	634.57	588.30	634.68	588.35
	Total Revenue from Operations	10157.57	6602.82	10408.76	29474.99	26638.37	29506.57	26678.52
c	Other Income	145.22	135.78	461.73	726.40	1497.72	713.65	1476.43
	Total Income	10302.79	6738.60	10870.49	30201.39	28136.09	30220.22	28154.95
2	Expenses							
a	Cost of materials consumed (including erection & engineering)	4925.87	3867.44	5579.65	16115.50	15908.32	16139.99	15937.79
b	Changes in inventories of finished goods, work-in-progress and stock in trade	388.43	91.21	804.52	994.48	210.49	992.94	210.05
c	Employee benefits expense	1063.36	1420.80	1076.10	5399.92	5379.75	5408.00	5387.33
d	Depreciation and amortisation expense	213.90	208.76	242.82	848.84	935.74	849.79	936.70
e	Excise Duty	469.39	281.87	431.61	1252.78	1155.74	1254.39	1158.08
f	Finance costs	313.59	26.33	346.62	350.61	359.48	351.30	359.81
g	Other expenses	2659.66	717.64	1650.76	4611.43	5350.74	4614.68	5342.16
	Total Expenses	10034.20	6614.05	10132.08	29573.56	29300.26	29611.09	29331.92
3	Profit/(Loss) before exceptional items and tax (1-2)	268.59	124.55	738.41	627.83	(1164.17)	609.13	(1176.97)
4	Share of net profit/(loss) of joint ventures accounted for using equity Method	-	-	-	-	-	(23.56)	15.84
5	Exceptional Items	-	-	-	-	-	-	-
6	Profit/(Loss) before tax (3 + 4 + 5)	268.59	124.55	738.41	627.83	(1164.17)	585.57	(1161.13)
7	Tax expense							
a.	Current Tax	(18.55)	91.41	337.11	298.35	391.08	298.35	391.08
b.	Deferred tax	71.59	(60.40)	(104.41)	(166.38)	(845.65)	(167.96)	(846.63)
8	Net Profit/ (Loss) for the period (6-7)	215.55	93.54	505.71	495.86	(709.60)	455.18	(705.58)
9	Other Comprehensive Income/(Expense) (net of tax)	6.83	(6.00)	(22.80)	(29.00)	(76.38)	(28.70)	(76.36)
10	Total Comprehensive Income after tax for the period (8+9)	222.38	87.54	482.91	466.86	(785.98)	426.48	(781.94)
11	Profit for the period attributable to							
	Owners of the Company	215.55	93.54	505.71	495.86	(709.60)	457.26	(704.13)
	Non Controlling Interest	-	-	-	-	-	(2.08)	(1.45)
12	Other Comprehensive Income /(Expense) for the period attributable to							
	Owners of the Company	6.83	(6.00)	(22.80)	(29.00)	(76.38)	(28.92)	(76.36)
	Non Controlling Interest	-	-	-	-	-	0.22	0.00
13	Total Comprehensive Income for the period attributable to							
	Owners of the Company	222.38	87.54	482.91	466.86	(785.98)	428.34	(780.49)
	Non Controlling Interest	-	-	-	-	-	(1.86)	(1.45)
14	Paid-up equity share capital (Face Value RS 2 per share)	489.52	489.52	489.52	489.52	489.52	489.52	489.52
15	Other Equity	-	-	-	31804.92	31691.56	31899.47	31824.63
16	Basic & Diluted Earnings Per Share	0.88	0.38	2.07	2.03	(2.90)	1.86	(2.88)
		(not annualised)	(not annualised)	(not annualised)				

Segmentwise Revenue, Results , Assets and Liabilities

₹ Crores

SL. NO.	PARTICULARS	Standalone Results					Consolidated Results	
		3 Months Ended 31.03.2017 # Audited (Note 10)	Preceding 3 Months Ended 31.12.2016 Unaudited	Corresponding 3 months ended 31.03.16 in prev.yr. Audited (Note 10)	Current Year Ended 31.03.2017 # Audited	Previous Year ended 31.03.2016 Audited	For year ended 31.03.2017 Audited	For year ended 31.03.2016 Audited
1	Segment Revenue							
A	Power	8109.00	5096.23	7865.27	22794.78	20222.74	22794.78	20222.74
B	Industry	1765.34	1368.63	2234.40	6045.64	5827.33	6077.11	5867.43
	Total	9874.34	6464.86	10099.67	28840.42	26050.07	28871.89	26090.17
	Inter segmental revenue	-	-	-	-	-	-	-
	Sales / Income from operations	9874.34	6464.86	10099.67	28840.42	26050.07	28871.89	26090.17
2	Segment Results (Profit/(Loss) before Tax & Finance Cost)							
A	Power	1129.07	590.26	1097.38	2534.58	129.74	2534.58	129.74
B	Industry	268.25	(118.05)	(57.22)	244.15	(194.95)	239.02	(198.40)
	Total	1397.32	472.21	1040.16	2778.73	(65.21)	2773.60	(68.66)
	Less: Finance Cost	313.59	26.33	346.62	350.61	359.48	351.30	359.81
	Other unallocable expenditure net of income	815.14	321.33	(44.87)	1800.29	739.48	1836.73	732.66
	Total Profit before Tax	268.59	124.55	738.41	627.83	(1164.17)	585.57	(1161.13)
3	Segment Assets							
A	Power	37602.38		42020.25	37602.38	42020.25	37601.20	42020.25
B	Industry	9188.25		9482.82	9188.25	9482.82	9210.89	9508.03
C	Unallocated	14439.57		13659.87	14439.57	13659.87	14535.36	13792.18
	Total Segment Assets	61230.20		65162.94	61230.20	65162.94	61347.45	65320.46
4	Segment Liabilities							
A	Power	23250.32		25973.19	23250.32	25973.19	23250.32	25973.19
B	Industry	5480.91		5806.40	5480.91	5806.40	5504.69	5830.10
C	Unallocated	204.53		1202.27	204.53	1202.27	204.53	1202.24
	Total Segment Liabilities	28935.76		32981.86	28935.76	32981.86	28959.54	33005.53

NOTES:
1. STATEMENT OF ASSETS AND LIABILITIES

₹ Crores

Particulars	Standalone		Consolidated	
	At the end of 31.03.2017 #	At the end of 31.03.2016	At the end of 31.03.2017	At the end of 31.03.2016
I) ASSETS				
1 Non Current Assets				
a Property, plant and equipment	3491.12	3825.12	3496.43	3831.35
b Capital work-in-progress	159.51	309.50	159.51	309.46
c Intangible assets	104.76	137.36	104.76	137.36
d Intangible assets under development	8.83	8.38	8.83	8.38
e Investments accounted for using Equity method			753.20	789.75
f Financial Assets				
i) Investments	661.42	664.16	3.93	6.67
ii) Trade Receivable	9787.73	11127.27	9789.14	11128.22
iii) Loans	78.04	65.62	78.04	65.62
iv) Others	0.16	0.62	0.16	0.62
g Deferred tax assets (net)	3841.37	3659.23	3846.19	3662.72
h Other non-current assets	203.30	240.40	203.30	240.40
Sub-total Non Current Assets	18336.24	20037.66	18443.49	20180.55
2 Current Assets				
a Inventories	7372.38	9602.15	7379.67	9608.44
b Financial Assets				
i) Trade Receivable	22075.56	22430.12	22077.58	22438.89
ii) Cash & Cash Equivalents	1489.76	1966.09	1490.79	1966.10
iii) Bank Balances other than (ii) above	9002.03	8119.90	9002.76	8121.10
iv) Loans	138.88	176.61	135.78	173.81
v) Others	216.98	157.62	219.02	159.02
c Current Tax Assets (Net)	873.08	582.93	873.09	582.96
d Other current assets	1725.29	2089.86	1725.27	2089.59
Sub-total Current Assets	42893.96	45125.28	42903.96	45139.91
TOTAL -ASSETS	61230.20	65162.94	61347.45	65320.46
II) EQUITY AND LIABILITIES				
1 Equity				
a Equity share capital	489.52	489.52	489.52	489.52
b Other Equity	31804.92	31691.56	31899.47	31824.63
c Non -Controlling interest			(1.08)	0.78
Total Equity	32294.44	32181.08	32387.91	32314.93
LIABILITIES				
2 Non -Current Liabilities				
a Financial Liabilities				
i) Borrowings	89.55	126.29	89.55	126.29
ii) Trade Payable	631.12	746.22	633.10	747.69
iii) Other financial liabilities	104.71	123.51	104.71	123.51
b Provisions	5001.35	7624.50	5006.19	7629.61
c Other non-current liabilities	2983.36	3637.78	2983.36	3637.78
Sub-total Non Current Liabilities	8810.09	12258.30	8816.91	12264.88
3 Current Liabilities				
a Financial Liabilities				
(i) Borrowings			6.03	3.53
ii) Trade Payable	8709.16	8698.34	8715.88	8708.44
iii) Other financial liabilities	1531.45	1643.82	1532.39	1644.64
b Other current liabilities	5693.50	7045.50	5694.55	7046.43
c Provisions	4191.56	3335.90	4193.78	3337.61
Sub-total Current liabilities	20125.67	20723.56	20142.63	20740.65
TOTAL EQUITY AND LIABILITIES	61230.20	65162.94	61347.45	65320.46

Subject to audit u/s 143(6) of the Companies Act, 2013 by the C&AG of India

The figures have been regrouped, wherever necessary.

- 2 The consolidated financial statements have been prepared in accordance with Ind -AS 110 on "Consolidated Financial Statements" and Ind AS-28 on "Investments in Associates and Joint Ventures".
- 3 The above results have been reviewed by the Audit Committee and approved by the Board of Directors in their meeting held on 29.05.2017
- 4 The Company has prepared these Consolidated and standalone financial statements in accordance with the Companies (Indian Accounting Standards) Rules, 2015, (Ind AS) prescribed under section 133 of the Companies Act, 2013. The Company has adopted the Indian Accounting Standards (Ind AS) from 1st April 2016 with a transition date of 1st April 2015. The comparative financial information of the Company for the quarter & year ended 31st March 2016, which had been prepared as per IGAAP, have also been restated to comply with Ind AS.
- 5 Reconciliation of Profit after tax for the quarter and year ended 31st March, 2016 between Ind AS Compliant results reported above with results reported in Previous year as per Indian GAAP are given below :

Particulars	Standalone		Consolidated
	Quarter Ended 31.03.2016	Year Ended 31.03.2016	Year Ended 31.03.2016
Profit (after tax) as per Accounting Standards (GAAP)	359.58	(913.42)	(897.39)
Recognition of long term contractual obligation at present value	(184.06)	(184.06)	(184.06)
Recognition of other long term provisions at present value	(20.57)	(20.57)	(20.57)
Classification adjustment of Advance Restatement	33.43	33.43	33.43
Provision for Expected Credit Loss	328.00	328.00	328.00
Discounting Effect on Deferred Liabilities	(15.39)	(15.39)	(15.39)
Effect of measuring Equity Investments at fair value	0.00	(2.04)	(2.04)
Effect on Revenue Recognition (POCM)	(2.51)	8.03	8.03
Fair Value of Consideration on Construction contracts	46.66	46.66	46.66
Actuarial Loss/Remeasurement on defined benefit plans recognised in Other Comprehensive income	34.71	116.65	116.63
Others	3.10	1.83	1.83
Adjustment due to audited results of JV considered now as against unaudited results consolidated earlier	-	-	13.46
Dividend Adjusted earlier has accounted under Equity Method	-	-	(21.18)
JVs Ind AS & Dividend Tax adjustments	-	-	(4.27)
Tax Expense Impact	(77.24)	(108.72)	(108.72)
Profit (after tax) for the period under Ind AS	505.71	(709.60)	(705.58)
Other Comprehensive Income (net of tax) (actuarial Loss on defined benefit plans)	(22.80)	(76.38)	(76.36)
Total Comprehensive Income Under Ind AS	482.91	(785.98)	(781.94)

- 6 Reconciliation of Total Equity between Ind AS compliant results as reported above with results reported in Previous year as per Indian GAAP are given below :

Particulars	Standalone		Consolidated
	Year Ended 31.03.2016	Year Ended 31.03.2016	Year Ended 31.03.2016
A) Total Equity (shareholder's fund) as per previous GAAP	33053.35		33173.27
B) Adjustments			
Impact on Transition	(934.90)		(929.32)
Proposed Dividend Adjustment	(64.81)		(64.81)
Provision for Expected Credit Loss	328.00		328.00
Recognition of long term contractual obligation at present value	(184.06)		(184.06)
Discounting Effect on Deferred Liabilities	(15.39)		(15.39)
Recognition of other long term provisions at present value	(20.57)		(20.57)
Effect on Revenue Recognition (POCM)	8.03		8.03
Fair Value of Consideration on Construction contracts	46.66		46.66
Classification adjustment of Advance Restatement	33.43		33.43
Deferred tax impact on above adjustments	(68.45)		(68.45)
Others	(0.21)		(0.21)
Adjustment due to audited results of JV considered now as against unaudited results consolidated earlier	-		13.46
JVs Ind AS & Dividend Tax adjustments	-		(5.12)
Total Equity as per Ind AS (A+B)	32181.08		32314.93

- 7 Pending finalisation of agreement for wage /salary structure due from 01st January 2017, a provision of Rs 961 cr (including one time cumulative impact on account of gratuity and leave liability of Rs 674 crore) has been made in financial year 2016-17 based on estimates as per third pay revision committee (PRC) recommendation.
- 8 In addition to Interim dividend of Rs 0.80 per share already paid, the Board of Directors has recommended a final dividend of Rs 0.78 per share (Face Value Rs. 2 per share).
- 9 The company has an outstanding order book position of Rs. 1,05,200 cr as at the end of 2016-17.
- 10 Figures of last quarter are the balancing figures between audited figures in respect of the full financial year and the published year to date figures upto the third quarter of the current financial year

For and on behalf of Bharat Heavy Electricals Limited

Place : New Delhi
Dated : 29.05.2017

(Atul Sobti)
Chairman & Managing Director

WAHI & GUPTA

Chartered Accountants

213, Vivekanand Puri

Near Sarai Rohilla Police Station

Delhi-110007

DSP & Associates

Chartered Accountants

783, Desh Bandhu Gupta Road

Near Faiz Road Crossing

Karol Bagh

New Delhi 110005

S B A & Company

Chartered Accountants

87, Lala Lajpat Rai Colony

Near Punjabi Bag

Raisen Road

Bhopal 462023

INDEPENDENT AUDITORS' REPORT

To the Members of Bharat Heavy Electricals Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of **Bharat Heavy Electricals Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2017, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information in which are incorporated the returns for the year ended on that date audited by us for 16 branches and 17 branches audited by the branch auditors of the company.

Management's Responsibility 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 Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.



Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS 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 including the Ind AS:

- (a) In the case of the Balance Sheet, of the state of affairs (financial position) of the company as at March 31, 2017;
- (b) In the case of the Statement of Profit and Loss, of the profit (financial performance including other comprehensive income) for the year ended on that date; and



- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
- (d) In the case of Statement of changes in Equity, of the change in equity for the year ended on that date.

Other Matters

The comparative financial information of the company for the year ended 31st March 2016 and the transition date opening balance sheet as at 1st April 2015 included in these standalone Ind AS financial statements, are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by the predecessor auditors/by us and their report for the year ended 31st March 2016 and 31st March 2015 dated 27th May 2016 and 26th May 2015 respectively expressed an unmodified opinion on those standalone financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.

We did not audit the financial statements/information of 17 (seventeen) branches included in the standalone Ind AS financial statements of the Company whose financial statements / financial information reflect total assets of Rs 41762.31 crore as at 31st March, 2017 and total revenue of Rs.19188.82 crore for the year ended on that date, as considered in the standalone Ind AS financial statements. The financial statements/information of these branches have been audited by the branch auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the report of such branch auditors.

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

- (1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in 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 and proper returns adequate for the purposes of our audit have been received from the branches not visited by us;



(c) The reports on the accounts of the branch offices of the Company audited under Section 143 (8) of the Act by branch auditors have been sent to us and have been properly dealt with by us in preparing this report.

(d) The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account and with the returns received from the branches not visited by us

(e) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

(f) Being a Government Company, Section 164(2) of the Companies Act, 2013 regarding 'whether any director is disqualified from being appointed as a director' is not applicable to the Company in view of Notification no. G.S.R. 463(E) dtd. 05-06-2015

(g) 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".

(h) 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 has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer Note 39 (2) to the financial statements.
- ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts – Refer Note 39 (17) to the financial statements.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
- iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in specified Bank Notes during the period from 8th November, 2016 to 30th December 2016. based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the company and as produced by the management –Refer Note 39 (19) to the Ind AS financial statements.

(3) As required by section 143(5) of the Act, we have considered the directions issued by the Comptroller and Auditor General of India, the action taken



thereon and its impact on the accounts and financial statements of the company –Refer Annexure C attached.

For Wahi & Gupta
Chartered Accountants
FRN 002263N


(CA Y K Gupta)
Partner
M. No 016020



For DSP & Associates
Chartered Accountants
FRN 006791N


(CA Sanjay Jain)
Partner
M. No 084906



For SBA & Company
Chartered Accountants
FRN 004651C


(CA Sita Ram Soni)
Partner
M. No 072381



Place : New Delhi
Date : May 29, 2017

“Annexure A” to Independent Auditors’ Report

(Referred to in Paragraph 1 under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date on the accounts of Bharat Heavy Electricals Limited (“the Company”), for the year ended March 31, 2017)

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) According to the information and explanations given to us, physical verification of fixed assets is being conducted in a phased manner by the management under a programme designed to cover all the property, plant and equipment including intangible assets 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 and no material discrepancies were noticed on such verification to the extent verification was made during the year.
- (c) The details of title deeds of immovable properties not held in the name of the company are given in note no. 2 (a to f) to the Ind AS Financial Statements.
- ii) As explained to us physical verification of inventory has been conducted by the management under Perpetual Inventory Programme at regular intervals during the year except for stock of work in progress and finished goods in few units where these are verified at the year end with reference to the inspection reports and production reports of the Production Planning Department of such units. In regard to stocks lying with contractors/fabricators and other parties, confirmations were received in few cases only. In our opinion the frequency of verification is reasonable.
- iii) According to the information given to us, 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. Therefore clauses (iii) (a), (iii) (b) and (iii)(c) of Paragraph 3 of the Order are not applicable to the Company.
- iv) The Company has complied with the provisions of the section 185 and 186 of the Companies Act, 2013 in respect of loans, investments, guarantees, and security.



- v) According to the information and explanations given to us, the Company has not accepted any deposits from public during the year within the meaning of sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules 2014.
- vi) We have broadly reviewed the books of account and records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules 2014 prescribed by the Central Government under section 148(1) of the Companies Act, 2013 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate and complete.
- vii) (a) According to the information and explanations given to us, in our opinion, the Company is generally regular in depositing with appropriate authorities 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 as applicable to it .
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of 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 were outstanding as at March 31, 2017 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, the particulars of Income Tax, Sales Tax, Service Tax, duty of Customs, duty of Excise and Value Added Tax which have not been deposited on account of dispute are as under:

(Rs. in Crore)

Sl. No.	Name of the Statute	Nature of the Dues	Pending Amount	Amount paid under protest	Forum where dispute is pending
1	Central Sales Tax Act, Value Added Tax and Sales Tax Act of various States	Sales Tax, VAT	18.49	6.12	Assessing Officer
			441.18	65.90	Dy. Commissioner / Jt. Commissioner / Commissioner (Appeals)
			416.67	167.81	Appellate Tribunal



			380.50	19.87	High Court
			2.87	2.83	Supreme Court
			603.04	37.50	Various Appellate Authorities
2	Income Tax Act, 1961	Income Tax	0.22	-	Assessing Officer
			0.05	-	Commissioner(Appeals)
			12.46		High Court
3	Central Excise Act, 1944	Excise Duty	80.91	7.93	Commissioner (Appeals)
			309.24	10.55	Appellate Tribunal
			29.35	5.14	High Court
			0.55	0.55	Supreme Court
			62.87	-	Various Appellate Authorities
4	Service Tax under the Finance Act, 1994	Service Tax	111.62	3.80	Commissioner (Appeals)
			379.93	3.59	Appellate Tribunal
			16.12	-	High Court

- viii) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to financial institutions, banks or government. The company has not issued any debentures.
- ix) Provisions of clause no. (ix) relating to utilization of moneys raised by way of initial public offer or further public offer including debt instruments and term loans is not applicable to the Company as no such moneys raised and outstanding during the year.
- x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, no fraud by the Company or any fraud on the Company by its officers or employees has been noticed or reported during the year.
- xi) Being a Government Company, provision of clause no. (xi) regarding section 197 of the Companies Act, 2013 relating to managerial remuneration



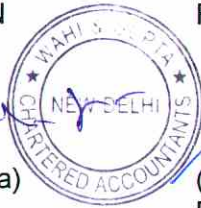
is not applicable to the Company in view of Notification no. G.S.R. 463(E) dtd. 05-06-2015.

- xii) Provisions of clause no. (xii) regarding Nidhi Company is not applicable to the Company;
- xiii) According to the records of the Company examined by us and the information and explanations given to us, the related party transactions are in compliance with section 177 and 188 of the Companies Act, 2013 and have been disclosed in the Ind AS Financial Statements.
- xiv) Provision of clause no. (xiv) regarding preferential allotment or private placement of shares or fully or partly convertible debentures during the year is not applicable to the Company as no such preferential allotment or private placement took place during the year.
- xv) The company has not entered into any 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 Wahi & Gupta
Chartered Accountants
FRN 002263N



(CA Y K Gupta)
Partner
M. No 016020



For DSP & Associates
Chartered Accountants
FRN 006791N



(CA Sanjay Jain)
Partner
M. No 084906



For SBA & Company
Chartered Accountants
FRN 004651C



(CA Sita Ram Soni)
Partner
M. No 072381



Place : New Delhi
Date : May 29, 2017

“ANNEXURE B” TO THE INDEPENDENT AUDITOR’S REPORT OF EVEN DATE ON THE STANDALONE IND AS FINANCIAL STATEMENTS OF BHARAT HEAVY ELECTRICALS LIMITED

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 Bharat Heavy Electricals Limited (“the Company”) as of March 31, 2017 in conjunction with our audit of the standalone Ind AS 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. 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 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 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 March 31, 2017,



based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Wahi & Gupta
Chartered Accountants
FRN 002263N



(CA Y K Gupta)
Partner
M. No 016020



For DSP & Associates
Chartered Accountants
FRN 006791N



(CA Sanjay Jain)
Partner
M. No 084906



For SBA & Company
Chartered Accountants
FRN 004651C



(CA Sita Ram Soni)
Partner
M. No 072381



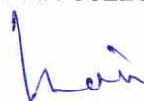
Place : New Delhi
Date : May 29, 2017

“Annexure C”

Directions indicating the areas to be examined by the Statutory Auditors during the course of audit of annual accounts of Bharat Heavy Electricals Limited (Standalone) for the year 2016-17 issued by the Comptroller & Auditor General of India under Section 143(5) of the Companies Act, 2013

SI No	Areas Examined	Suggested Replies
1	Whether the Company has clear title/lease deeds for freehold and leasehold land respectively? If not, please state the area of freehold and leasehold land for which title / lease deeds are not available.	a) Clear Title/lease deeds : - No b) If answer to (a) above is No, then : (i) Freehold area (Acres) : 7721.34 (ii) Leasehold area (Acres) : 476.66 (Note :In respect of freehold land as above, almost in all cases, the same is acquired from State Government on right to use basis and is categorized under freehold)
2	Whether there are any cases of waiver/write off of debts/ loans/ interest etc. If yes, the reasons thereof and amount involved.	Debtors amounting to Rs.157.55 Crore have been written-off during the FY 2016-17 on account of LD levied & recovered by the customers and due to various disallowance/ recoveries made by customer. These are old cases and necessary approval for write off have been taken from competent authorities.
3	Whether proper records are maintained for inventories lying with third parties and assets received as gift/grant(s) from the Govt. or other authorities.	Proper records are being maintained for the inventories lying with third parties & assets received as gift/grant(s) from Govt. or other authorities. However, during the year there is no case of assets received as gift/grant(s) from Govt. or other authorities.

For Wahi & Gupta
Chartered Accountants
FRN 002263N



(CA Y K Gupta)
Partner
M. No 016020



For DSP & Associates
Chartered Accountants
FRN 006791N



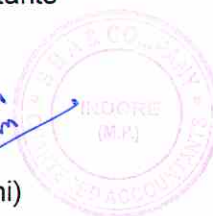
(CA Sanjay Jain)
Partner
M. No 084906



For SBA & Company
Chartered Accountants
FRN 004651C



(CA Sita Ram Soni)
Partner
M. No 072381



Place : New Delhi
Date : May 29, 2017

WAHI & GUPTA	DSP & Associates	S B A & Company
Chartered Accountants	Chartered Accountants	Chartered Accountants
213, Vivekanand Puri	783, Desh Bandhu Gupta Road	87, Lala Lajpat Rai Colony
Near Sarai Rohilla Police Station	Near Faiz Road Crossing	Near Punjabi Bag
Delhi-110007	Karol Bagh	Raisen Road
	New Delhi 110005	Bhopal 462023

TO
THE MEMBERS OF
BHARAT HEAVY ELECTRICALS LIMITED

Report on the Ind AS Consolidated Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of **BHARAT HEAVY ELECTRICALS LIMITED** hereinafter referred to as "the Holding Company") and its subsidiary (the Holding Company and its one subsidiary together referred to as "the Group") and four jointly controlled entities, comprising of the Consolidated Balance Sheet as at 31st March, 2017, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these Ind AS consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance (including other comprehensive income), consolidated cash flows and changes in equity of the Group including its Jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group 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; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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.



Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit.

While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

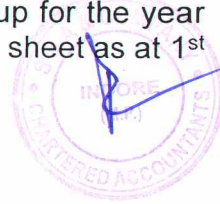
An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS 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 consolidated state of affairs of the Group and its jointly controlled entities as at 31st March, 2017, and their consolidated profit including other comprehensive income, their consolidated cash flows and consolidated changes in equity for the year ended on that date.

Other Matters

- (a) The comparative consolidated financial information of the Group for the year ended 31st March 2016 and the transition date opening balance sheet as at 1st



April 2015 included in these consolidated Ind AS financial statements, are based on the previously issued statutory consolidated financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by the predecessor auditor / by us and their report for the year ended 31st March 2016 and 31st March 2015 dated 25th May 2016 and 25th May 2015 respectively expressed an unmodified opinion on those consolidated financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.

- (b) We did not audit the financial statements of one subsidiary, whose financial statements reflect total assets of Rs.26.57 crore as at 31st March, 2017, total revenues of Rs.32.30 crore and net cash flows amounting to Rs.0.56 crore for the year ended on that date. The Consolidated Financial Statements also includes the group's share of net profit of Rs 24 crore for the year ended 31st March, 2017 as considered in the Consolidated Financial Statements in respect of one jointly controlled entity. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiary and jointly controlled entity, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiary and jointly controlled entity, is based solely on the reports of the other auditors.
- (c) We did not audit the financial statements of three jointly controlled entities. The Consolidated Financial Statements also includes the group's share of net loss of Rs 44.92 crore for the year ended 31st March, 2017 as considered in the Consolidated Financial Statements in respect of these jointly controlled entities. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these jointly controlled entities, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act in so far as it relates to the aforesaid jointly controlled entities, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the consolidated Ind AS 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 certified by the Management.

The accounts of Power plant Performance Improvements Ltd. a Joint Venture of BHEL have not been consolidated as the said company is under liquidation and full amount of equity investment has been provided. The accounts of Latur Power Company Ltd. have not been consolidated as the said company is under liquidation. However full amount of equity investment in Latur Power Company Ltd. has been realized.



Report on Other Legal and Regulatory Requirements

1. 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 Ind AS financial statements.

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS 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 including other comprehensive income, the Consolidated Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.

(d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

(e) Being a Government Company, Section 164(2) of the Companies Act, 2013 regarding 'whether any director is disqualified from being appointed as a director' is not applicable to the Company in view of Notification no. G.S.R. 463(E) dtd. 05-06-2015.

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Group and jointly controlled entities and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

(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 Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and jointly controlled entities— Refer Note 40 (2) to the consolidated Ind AS financial statements.

ii. Provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or Indian accounting standards, for material foreseeable losses, if any, on long-term contracts – Refer Note 40 (18) to the consolidated Ind AS financial statements in respect of such items as it relates to the Group and jointly controlled entities and

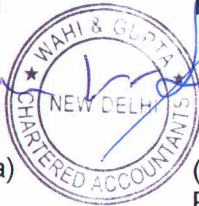


iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies and jointly controlled companies incorporated in India.

iv. The Group has provided requisite disclosures in the financial statements as to holdings as well as dealings in specified Bank Notes during the period from 8th November , 2016 to 30th December 2016. based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the company and as produced by the management –Refer Note 40(20) to the Ind AS financial statements .

For Wahi & Gupta
Chartered Accountants
FRN 002263N


(CA Y K Gupta)
Partner
M. No 016020

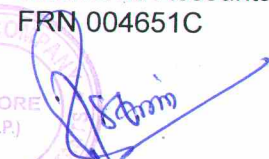


For DSP & Associates
Chartered Accountants
FRN 006791N


(CA Sanjay Jain)
Partner
M. No 084906



For SBA & Company
Chartered Accountants
FRN 004651C


(CA Sita Ram Soni)
Partner
M. No 072381



Place : New Delhi
Date : May 29, 2017

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED IND AS FINANCIAL STATEMENTS OF BHARAT HEAVY ELECTRICALS LIMITED

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

In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of Bharat Heavy Electricals Limited (hereinafter referred to as "the Holding Company") as of that date. We did not audit the financial statements of one Subsidiary and four Jointly Control Entities out of which one Jointly Control Entity and one Subsidiary have been audited by the other Auditor and three Jointly Control Entities are unaudited.

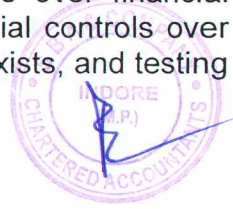
Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company, its subsidiary company and jointly controlled companies, which are companies incorporated in India, are 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 the respective 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.

Auditor's 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") issued by the ICAI 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 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 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 and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, 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

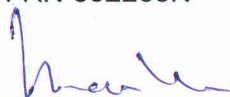
In our opinion, the Holding Company, its one subsidiary company and four jointly controlled entities, which are entities incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.



Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to one subsidiary company and four jointly controlled entities, which are companies incorporated in India, is based on the corresponding report of the auditor of one jointly controlled entity and one subsidiary company incorporated in India and management certificate of other three jointly controlled entities incorporated in India.

For Wahi & Gupta
Chartered Accountants
FRN 002263N



(CA Y K Gupta)
Partner
M. No 016020

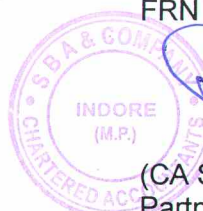
For DSP & Associates
Chartered Accountants
FRN 006791N



(CA Sanjay Jain)
Partner
M. No 084906



For SBA & Company
Chartered Accountants
FRN 004651C



(CA Sita Ram Soni)
Partner
M. No 072381

Place : New Delhi
Date : May 29, 2017

WAHI & GUPTA
Chartered Accountants
213, Vivekanand Puri
Near Sarai Rohilla Police Station
Delhi-110007

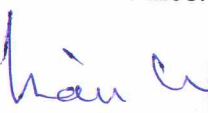
DSP & Associates
Chartered Accountants
783, Desh Bandhu Gupta Road
Near Faiz Road Crossing
Karol Bagh
New Delhi 110005

S B A & Company
Chartered Accountants
87, Lala Lajpat Rai Colony
Near Punjabi Bag
Raisen Road
Bhopal 462023

Compliance Certificate

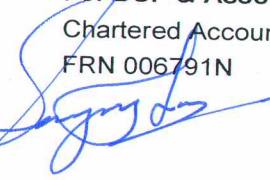
We have conducted the audit of Consolidated Financial Statements of M/S Bharat Heavy Electricals Limited for the year ended 31st March 2017 in accordance with the directions/ sub-directions issued by C & AG of India under Section 143(5) of the Companies Act, 2013 and certify that we have complied with all the directions/sub-directions issued to us.

For Wahi & Gupta
Chartered Accountants
FRN 002263N


(CA Y K Gupta)
Partner
M.No.016020

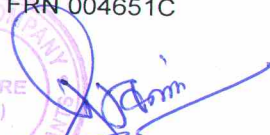


For DSP & Associates
Chartered Accountants
FRN 006791N


(CA Sanjay Jain)
Partner
M.No.084906



For SBA & Company
Chartered Accountants
FRN 004651C


(CA Sita Ram Soni)
Partner
M.No. 072381



Date: 29.05.2017
Place: New Delhi

Date: May 29, 2017

Sub: Declaration pursuant to regulation 33 of the
SEBI (LODR), 2015

The Report of Auditors is with unmodified opinion with respect to the Audited IND AS financial results (Standalone and Consolidated) of the Company for the year ended March 31, 2017.


(S Vaidyanathan)
ED(Finance)