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BOARD OF DIRECTORS

(As on 22.12.2020)

Chairman-cum-Managing Director	:	Dr. Nalin Shinghal
Director (Finance)	:	Smt Arundati Panda
Director (Personnel)	:	Shri Mradul Kumar Saxena
Director (Marketing) & Director (Production), (Addl. Charge)	:	Dr. Rana S. Chakravarty
Director	:	Smt. Sujata Sharma (Sr. EA/DHI) Smt. N.S. Kumar (CCA/DHI)
Company Secretary	:	Shri Abhay Kumar Kanth
Auditors	:	M/s Lodha Patel Wadhwa & Company Chartered Accountants
Bankers	:	State Bank of India
Registered Office	:	Plant Plaza Road, Dhurwa Ranchi - 834004 (Jharkhand)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to the Shareholders of Heavy Engineering Corporation Limited, Ranchi that 61st Annual General Meeting of the Company will be held on Tuesday, the 22nd December, 2020 at 03.00 PM through video conferencing/Audio Visual means to transact the following business :-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements for the financial year ended 31st March 2020 together with the Report of the Board of Directors to the Shareholders, the Audites Reports there on and the comments of comptroller and Auditor General of India.
2. Appointment of Statutory Auditor under Section 139 of the Companies Act, 2013 for the financial year 2020-21 and fix the remuneration of Statutory Auditor under section 142 of the Companies Act, 2013.

SPECIAL BUSINESS

1. To ratify the remuneration payable to the cost auditor appointed by the board of Directors of the Company for the financial year 2020-21 pursuant to section 148 and all other applicable provisions of Companies Act, 2013.

By order of the Board of Directors



(A. K. Kanth)
Co. Secretary

Date : 24.11.2020

NOTE :

- (i) In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs ("MCA") has vide its circular dated May 5, 2020 read with circulars dated April 8, 2020 and April 13, 2020 (collectively referred to as "MCA Circulars") permitted the holding of the Annual General Meeting ("AGM" or "Meeting") through VC/OAVM, without the physical presence of the Members at a common venue. In compliance with the provisions of the Companies Act, 2013 ("Act") and MCA Circulars, the AGM of the Company will be held through VC/OAVM. Members may attend the meeting through VC/OAVM.
- (ii) According to the above MCA Circulars, there is no requirement of appointment of proxies, and accordingly the facility for appointment of proxy has not been made for this meeting.

To

The Shareholders

Heavy Engineering Corporation Limited

Ladies and Gentlemen,

Heavy Engineering Corporation has completed its 61 years of service to the nation and the Directors of the Company have the pleasure to present the 61st Annual Report of the Company together with Audited Accounts for the financial year ended 31st March, 2020.

1. PERFORMANCE HIGHLIGHTS

In FY 2019-20, the company bagged record Orders (highest in the last eight years), totaling to around Rs 1013 Cr. The Orders mainly comprise of Special Forgings for Aakanksha, Fabricated Steel for Thermal Power Plants, Turn-key projects at RINL (Vizag) and Heavy fabrications for ISRO. HEC's yet another achievement is the successful launch of its indigenously developed Hydraulic excavator EARTH 5.0.

However, on the other hand, the long pending up-gradation / modernization plan as well as severe stress of working capital adversely impacted the financial performance of the company and it could achieve a turnover of Rs. 132.68 Cr. only against Rs 356.21 Cr. during the previous year. Frequent breakdown of the ageing machinery has affected the execution of orders while also indirectly affecting the cash flow cycle. The company has taken strides for upkeep of few critical machinery, the effects of which shall be seen in the future years.

2. PRODUCTION & SALES

The production & gross turnover figures for the year as compared to the previous year and MOU targets are as follows:-

(Rs. in Cr)

Particulars	2019-20		2018-19	
	MOU	Actual	MOU	Actual
Turnover	600.02	132.68	618.01	356.21
Production	559.32	158.29	628.20	340.22

Even though the lockdown was imposed in the country from 25th March 2020, the impact on your company's operations was being felt much earlier, on account of disruptions in material supplies. Further, a 6 day strike starting end February also impacted the fourth quarter performance adversely.

3. FINANCIAL RESULTS

Achievement against target and previous year is detailed below:

(Rs. in crore)

Particulars	2019-20		2018-2019	
	MOU	Actual	MOU	Actual
Gross Margin ①	-19.92	-363.89	-41.99	-220.36
Interest	24.11	24.24	28.48	27.72
Depreciation	8.28	7.34	7.92	6.87

Exceptional Items Exp.(+)/ Income(-)	0.00	9.90	0.00	1.29
Profit before Extra-ordinary items	-52.30	-405.37	-78.39	-256.24
Extra ordinary items Income (+) / Exp. (-)	0.00	0.00	0.00	162.57
Profit before Tax	-52.30	-405.37	-78.39	-93.67
Tax	0.00	0.00	0.00	
Net Profit	-52.30	-405.37	-78.39	-93.67
Cash Profit (before extra-ordinary items)	-52.30	-405.37	-70.47	-249.37

① Profit before Depreciation, Interest, Tax, Prior Period and extra ordinary items

Paid up Equity Capital of the Company on 31.03.2020 stands at Rs.606.07 Cr, while net worth is Rs. (-) 400.73 Cr.

During the year your Company contributed Rs. 18.59 Cr to Central and State Exchequers as compared to Rs. 21.26 Cr in the prev. year.

The Turnover, Production, employee productivity and profitability since 2008-09 are tabled below:

	Turnover (Rs. Crore)	Production (Rs. Crore)	Turnover per employee (Rs.Lakhs)	Net Profit (Rs. Crore)
2008-09	417.39	419.47	14.55	18.37
2009-10	496.56	537.72	17.30	44.27
2010-11	640.90	700.55	23.14	38.14
2011-12	681.61	687.74	28.35	8.58
2012-13	682.83	676.77	28.58	20.38
2013-14	384.02	447.71	18.88	299.31
2014-15	361.58	319.58	20.61	(-)241.68
2015-16	374.48	340.68	24.19	(-)144.77
2016-17	390.11	364.84	26.81	(-)82.27
2017-18	399.02	393.37	28.29	446.00
2018-19	356.21	340.22	23.42	-93.67
2019-20	132.68	158.29	9.92	-405.37

Non-Declaration of Dividend:

Profit after Tax (PAT) during FY 2019-20 is Rs. (-) **405.37 Cr.** and Net worth is Rs. (-) **400.73 Cr.** As per guidelines issued by DIPAM, Ministry of Finance vide OM No.5/2/2016-Policy dated 27-05-2016, CPSE has to pay dividend as 30% of PAT or 5% of Net worth whichever is higher. However, Company is not liable to declare dividend in view of Section 123 (in respect of declaration of dividend) of Companies Act 2013.

4. MARKETING ACTIVITIES

During the year HEC could achieve order booking worth Rs 1013.47 Cr. whereas its annual target was Rs 650 Cr. This order booking is the highest in the last 8 years.

- The prestigious order booked for Aakanksha B11 Project is worth Rs 436 Cr. which indicates HEC's niche capability of manufacturing special forgings for Defense.

- To leverage its spare fabrication capacity, HEC attempted for fabrication in Flue Gas Desulphurization projects and could successfully bag orders worth approx. Rs 180 Cr. from BHEL against stiff competition.
- HEC is vying for orders of Turn-key Projects in Steel and Mining sector and in this year HEC could secure two orders from RINL, Vizag, summing up to Rs 250 Cr. The projects are namely: "Revamping and Up-gradation of Sinter Machine – 1 & 2" and "Conveyors and allied equipment for second Iron Ore Storage Augmentation (IOSA) reclaiming stream and Fifth Ore & Flux Stacking Stream of Raw Material Handling Plant (RMHP)"
- HEC bagged order for 3 nos. of Heavy Machine Tools. Surface Wheel Lathe worth Rs 6.26 Cr., Axle Journal Turning & Burnishing Machine (AJTB) worth Rs 1.83 Cr. from COFMOW and another Surface Wheel Lathe from NALCO.
- In the Aerospace sector, HEC bagged orders for Wheel Bogie System and Electric Overhead Traversing Crane of 200T, both to augment the ground facilities installed at ISRO, Sriharikota.
- Import-substitute items in Steel and Mining sectors: Meeting its primary objective of import-substitution in core sector, this year also HEC could bag orders worth Rs 55 Cr. for Dragline Spares, Forged Rolls, Hollow Shaft, Bell Rod & Hopper.
- HEC secured new orders for Anchor Capstan, Bull Ring Casting and Anchor Hawse Pipe Lip Casting for application in Ship-building. In yet another achievement, HEC partnered the 112 Engineering Regiment, Ranchi, to develop Metallic Ramp.
- Indigenous development: In Sept'2019, HEC could successfully culminate its journey towards indigenous development of Hydraulic excavator EARTH 5.0. The state-of-the-art hydraulic excavator EARTH 5.0 has been designed to meet optimum fuel consumption, high machine availability, ease in maintenance and electronically controlled advance hydraulic system for faster cycle time.

Orders in Hand

Outstanding Order book as on 31.3.2020 stands at Rs. **1268.34 Cr.**

Business Development initiatives:-

Efforts are being made to identify other potential areas where HEC's facilities can be used for indigenization in line with 'Make in India' programme.

HEC is in discussions with various companies of international repute for collaboration in the areas of Armoured Vehicles and other requirements in Defence & Strategic Sector.

5. PROJECT ACTIVITIES

Presently four active projects are under execution.

Pkg.-062 (Installation of Coal Handling Plant) at Bhilai Steel plant : Four Preliminary Acceptance Certificates (PAC) for different parts of the projects under commercial operation were received earlier. Remaining part's PAC received in December 2019 and the project has been successfully commissioned in February, 2020. (Commissioning certificate of the total project received in Feb. '20).

MIOM (Installation of Tertiary crusher at Meghataburu Iron Ore Mines, SAIL): Work related to civil Structure and erection of equipments has been completed. Individuals and integrated trial run of all the equipment conducted. The bypass circuit was tested on load and handed over in the month of December 2019 and it is under commercial operation from 24.02.20. Full load trial of the complete project demonstrated to the representatives of the client in February, 2020. PAC is awaited.

KSL (Krishnashila Coal Handling Plant) at Northern Coalfields Ltd. (CIL): Civil work & Mechanical equipments erection work has been completed. DGMS approval received on 18.12.19. Individual testing of equipments is being conducted. Test run of Crusher, Apron feeder and 9 out of 14 conveyors has been completed.

MADHUBAND Washery at Bharat Coking Coal Ltd. (CIL) : civil and structural work for conveyor galleries, Silos, Receiving pit, slime pond, thickeners, washery building completed. Equipment erection at washery building, Electrical buildings are continuing.

Sales turnover during the year 2019-20 given below:

Sl. No.	Projects	Value in Lakhs
1.	BSP, Pkg. 062	1637.23
2.	BSP, Pkg. 060	19.15
3.	KSL CHP/NCL	387.28
4.	MIOM/RMD SAIL	87.28
5.	MADHUBAND COAL WASHERY/BCCL	1457.54
	TOTAL	3588.48

Orders for two new projects received from Vizag Steel plant.

- Augmentation of raw material preparation area for revamping & upgradation of SM-1&2
- Iron Ore Storage Augmentation Project (IOSA)
Basic design of the projects completed.

Successful execution of Turn-key Projects : The New Ore Handling Plant (Pkg 62) at BSP, Bhilai has been successfully completed and during this period, HEC achieved the milestone of issuance of Commissioning Certificate of the Project.

6. PROCUREMENT FROM MSME

The company emphasizes on the procurement from MSME, NSIC & SSI firms. The procurement from MSME, NSIC & SSI firms is Rs. 4585.80 Lakh during the year.



7. SAFETY, ENVIRONMENT AND POLLUTION CONTROL

As always, your company gives utmost importance to the occupational safety and health of workers in the company. Various training and awareness programme were conducted regularly in order to inculcate safety consciousness among the employees. Complete medical check-ups were regularly carried on as per the statutory norms. Safety appliances like hand gloves, goggles, protective clothing, safety helmets, safety belts, safety shoes etc. were provided to the employees.

The company does not compromise on environmental pollution and so takes all precautions towards pollution control as detailed below:-

- Daily Safety inspection of shop floor to identify Safety Leading Indicators (Hazards Identification, unsafe condition & near misses) & Safety Lagging Indicators (like violation of uses of PPEs while working, equipment safety).
- Imparted class room training as well as on shop floor under training within TWI & Tool Box Talk on several topics are:-

Slip, Trip & Fall	JSA as & when required
HMI (Hand in Machine)	Hazards communication
PTW (Permit to Work)	RCA (Root cause analysis) of accidents
Working at Height	Personnel Safety
Road Safety inside plant	PPEs uses

- Reporting of accident to Inspector of Factories, Ranchi, Jharkhand and Investigation of root causes analysis for prevention and controls to avoid reoccurrences.
- Conducting quarterly "Plant Safety Committee" to develop safety culture and this is a forum where workers and management can discuss health & safety issues and collaborate on solution.
- Conducting Safety audit as per management plan to identify the current condition, hazards, audit of different areas is being conducted so that to take preventive and corrective measures.

Health and Environment:-

- For health preservation of workers, conducting Eye test and health examination, this is also a statutory provision as per Factory Act.
- Monitoring of quality of ambient air at stack exit.
- Monitoring of discharge water quality through drains A, B & C on a daily basis.
- Regular tree plantation activities are being carried out with the help of forest department to keep the HEC areas green and reduce the pollution.
- Several Health & Environment activities are being covered under Swachh Bharat Mission programmes.

- To implement the condition given by JSPCB for the prevention & control of Air & water pollution
- Testing of water effluent samples regularly for pollutants, based on which consent for discharge of water to inland body is granted.

Combined Effluent Treatment Plant (CEPT) has been installed in FFP to refine the phenol water and other liquid effluent coming out from our Producer gas plant to address the pollution issues arising out of discharge of this water outside the plant through exist drains. At the same time the plant will facilitate the generation of fresh water out of those contaminated water which can be further utilized.

8. MANPOWER POSITION

The manpower of the Company as on 31.03.2020 stood at 1421 as against 1502 on 31.03.2019. The year 2019-20 saw recruitment of total 11 numbers of Executives and 04 numbers of Regular Workmen (Technical).

9. INDUSTRIAL RELATIONS

During the period under review, the industrial relations climate, in general remained normal.

A strike took place from 26.02.2020 to 03.03.2020 (6 days) demanding implementation of 2017 wage revision and work was resumed on 04.03.2020.

10. EMPLOYEE WELFARE

The Company has its own Township, Plant Hospital/Wellness Center and Dispensaries for the regular employees. Contract workers are extended medical benefits under ESI Scheme for which subscription amount is paid by the Company to the respective contractors. Superannuated employees are extended medical benefits through OPD & Observation facilities at Wellness Center/Medical Division, and has started health insurance facility coverage for all employees and their family members w.e.f Oct. 2019.

11. HUMAN RESOURCE DEVELOPMENT

The company gives immense importance to Human Resource Development. Thrusts were on competency development through organizing Management Development programmes viz., Forging Technology, Work service procedures, Heat Treatment (HT), CDA Rules 1981, Melting Technology, Engineering Drawing, Engineering Drawing III, Process Technology, Purchase procedures, Emerging Technologies in Foundry Froge Technology, Time and Stress Management, Awareness programme on TDS, Concept of Maintenance in the Shop floor, Safety and Healthy improvement, Vigilance awareness, Gender Equality at Workplace, etc.

HEC Technical Institute (HTI) is run by the Company where students are imparted 2 years education/ training related to Technical Course and ITI/Diploma/Degree holders are given Apprenticeship training of 1 year. The Company is also

running a GNM course at HEC Wellness Center for the local/tribal girl students.

12. COMPLIANCE OF APPRENTICES ACT

The Apprentices Act, 1961 (as amended from time to time) is being implemented in HEC under the following schemes:-

- (i) Craftsmen Training Scheme (CTS)
- (ii) Apprenticeship Training Scheme (ATS)
- (iii) National Apprenticeship Training Scheme (NATS)

In the above schemes, Degree, Diploma, ITI and Matric qualified candidates are imparted classroom / workshop / in-Plant training in different disciplines / trades. The no. of seats under these schemes are :

CTS	: 159
ATS	: 181
NATS	: 135
	475

These training programmes are being conducted in HEC Training Institute. The above number complies with the requirement of the said Act. However, any promotion in the provisions of the Act / Schemes will always be implemented fully by us.

Apart from the above other training programmes (including on-the-job training) are being conducted with the inspiration from Skill Development Mission of Govt. of India.

13. STATUS OF SCHEDULE CASTES & SCHEDULE TRIBES

- i.i. No. of **SC & ST** employees as on **31.03.2020** stood at **313 & 316** respectively.
- i.ii. **Percentage of SC & ST** employee's w.r.t. total employees stood as **22.02%** and **22.23%** respectively.
- i.iii. Out of 15 recruitments made during 2019 - 2020, 04 nos. of **SC** candidates & 02 nos. of **ST** candidates have joined.

14. PROGRESSIVE USE OF HINDI

Raj Bhasha Vibhag promotes the usage of Hindi throughout the Company as an essential effort for wider implementation under the directives of Govt. of India.

The following steps were taken by the Company during the year towards progressive use of Hindi as official language:

- i. Employees are being motivated and trained to become conversant with Hindi as a language for day to day work. In this regard, Circulars are issued either in Hindi or are bilingual.
- ii. Various programmes / functions are held in Hindi language to promote its usage.

Raj Bhasha Fortnight was organized and various competitions such as Essay writing, Speech, Poetries, Noting, Drafting, Typing as well as Raj Bhasha Shield for

excellent work in Hindi were held. The winners were given attractive prizes.

15. HEC DAY CELEBRATION

HEC Day was celebrated with full fanfare on 15th November. A "March for Repositioning of HEC" was organized from Vidhan Sabha Maidan to the Friendship Avenue which was led by CMD/HEC and attended by large number of employees, ex-employees, spouse, family, contract workers, members of Mahila Samiti, Union Leaders of HEC, school children and staffs of schools within HEC premises.

16. CELEBRATION OF WORLD ENVIRONMENT DAY

On the occasion of 46th World Environment Day on 5th June, 2019 tree Plantation drives were taken up in HMBP, FFP, HMTP, HEC Training Institute, HEC Plant Hospital and Township where CMD, Plant Heads and other employees planted tree saplings adding to already greener environment of HEC.

17. OBSERVANCE OF INTERNATIONAL YOGA DAY/WEEK

On 21st June 2019, Hon'ble Prime Minister Shri Narendra Modi led the International Yoga Day celebrations, at Shri Jagannath HEC Maidan, HEC Township where 50 number of our employees and their family members along with large number of people of Ranchi participated in this programme. The International Yoga Day was observed on 21st June 2019 in Jagannathpur Club, Sector-III, HEC. Further, Yoga sessions were organized from 06.06.2019 to 20.06.2019. A large number of employees and their family members participated & benefitted from this programme.

18. SWACHH BHARAT MISSION

In order to improve health and cleanliness in HEC, the cleanliness drive was being taken up from time to time i.e. 16.08.2019 to 31.08.2019 (Swachhta Pakhwada) and 11.09.2019 to 02.10.2019 (Swachhta Hi Sewa) in different Plants/Divisions of HEC and in HEC Township, schools & nearby villages involving all employees/contract workers/students/ general people. Under this activity following measures were taken by HEC:-

- i. Oath of Swachh Bharat was taken by all employees/ contracts workers. All of them are themselves cleaning their work places and adjoining areas.
- ii. At the Plant level, Inter-Shop/Deptt. competition on best Shop for maintenance of cleanliness was organized. Awards related to this drive were given on Gandhi Jayanti by functional Directors presented in the function.
- iii. Action for identification and disposal of obsolete/ unserviceable items lying in Plants and other Divisions has taken place.
- iv. Drives were taken to put name boards on the materials/items in the Plants.



- v. Disposal/waste bins has been placed in the Shops, Headquarters and Plant Hospital has been cleaned. In every Shop, Headquarters and at Wellness Center two types of waste bins-one for biodegradable and the other for non-biodegradable have been placed with proper colour and instructions written on it.
- vi. In these Abhiyans, a vehicle fitted with Public Address System and banners had moved in and around HEC Township through which message regarding Swachhta has been given to public at large. Nukkad natak were also performed by the employees for developing awareness towards cleanliness amongst the employees and the residents of Township and adjoining villages/bustees. Also the employees in the Factories (Plants), Divisions and children in different Schools in the township were mobilized to clean their workplace, surroundings of the shops and premises of their buildings.
- vii. Swachhta Daud and Cycle Yatra had also been organized.
- viii. Actions regarding Single use Plastic Free organization were taken.

Employees/contract workers and school children participated in Skits, poems, slogans and Painting competitions and those doing exemplary work under swachhata mission were awarded by Functional Directors on Gandhi Jayanti -2019.

19. OBSERVANCE OF NATIONAL PRODUCTIVITY WEEK.

The National Productivity Week had been observed from 12th to 18th Feb, 2019. During the same Productivity Improvement Committee had been set-up at Plant level to formulate a Plan of Action for the year (2019-20).

Further, during this week debates, essay, painting and slogan competitions had been organized in different Plants/ Divn.

20. FREE MEDICAL HEALTH CAMP & EYE CAMP

Free medical health camp and EYE camp are being organized by Plant Hospital periodically in and around the HEC from time to time in order to improve health among the nearby villagers and the needy persons.

21. TREE PLANTATION

Tree Plantation drives were taken up in HMBP, FFP, HMTP, HEC Training Institute, HEC Plant Hospital, HEC Wellness Center and Township where CMD, Directors, Plant Heads and other employees planted tree saplings adding to already greener environment of HEC.

22. ONLINE ANNUAL PERFORMANCE REPORT

In order to make offices paperless online Annual Performance Reports & Annual Property Returns have been developed.

23. PRECAUTIONARY STEPS FOR COVID-19 VIRUS

Due to spread of COVID-19, the Govt. of India has declared it as an epidemic and issued guidelines from time to time which have been followed strictly in our Company. The emergency and essential services such as Power Supply, Water Supply, Medical Services, Township Cleaning, etc. were maintained by our employees with all precautionary measures related to their health and safety such as wearing the face masks, using hand sanitizers and maintaining social distancing. All other Govt. guidelines were also followed.

24. USES OF ELECTRICAL VEHICLE

An agreement has been signed between EESL & HEC for use of Electric Cars. Presently 16 Nos. of Electric Cars are being used by HEC.

25. DEVELOPMENT OF ANCILLARIES AND SSI UNITS

As a part of its social responsibility, your company developed an ancillary area near Tupudana with the help of Ranchi Industrial Development Authority to create opportunity of employment as well as individual entrepreneurship.

Regular interactions were organized with the SSI units to find out various scopes for mutual cooperation and entry in new areas commensurate with HEC's growth.

26. CORPORATE SOCIAL RESPONSIBILITY

In spite of poor financial condition & constant loss, company continued CSR activities like (i) running Nursing School, (ii) running Industrial Training Institute and (iii) Arranging medical camps with the help of its Wellness Center. Immunization Programmes were carried out at regular interval.

Under Community health awareness program "Hospital at your door step" was carried out. Under this Programme, a team of Nursing students with a senior Nursing Staff and a doctor made door-to-door visit of the Satellite Villages of HEC Township and gave health awareness tips to the villagers, especially ladies and provided them with available drugs, if need be. The villages visited were : Jagannathpur, Kute, Tiril, Nayarai, Pundag, Sitheo, Hatia, Tupudana, Dungri, Tonko, Satranji, Balsring, Bermad & Jojosring (14 Villages).

27. VIGILANCE ACTIVITIES

Vigilance organization of HEC Ltd., at Headquarters operated under the overall administrative and functional control of Chief Vigilance Officer /HEC (Additional Charge). Preventive vigilance continued to be the thrust area through periodic and surprise inspections by the Vigilance Department. Awareness amongst employees is generated by organizing training progress on various guidelines/procedures of CVC, disciplinary enquiry proceedings, their role in combating corruption etc. and need for transparent and fair working.

Regular interactions by CVO/Vigilance Officers with senior executives/employees of HEC were organized to develop a positive approach among them towards corruption free efficient and transparent working. Various complaints received during the year were enquired and necessary actions were recommended. Efforts had also been made for timely disposal of complaints and enquiries. In addition, Annual Property Returns filed by the officers are scrutinized regularly.

A Journal SPARK-8 containing latest CVC Guidelines and other Vigilance related articles has been prepared and circulated among all officers of the Corporation on the occasion of Vigilance Awareness Week-2019. Vigilance Portal in Company's website is being updated regularly. Vigilance Awareness Week was observed as per CVC's guidelines. Essay/quiz competitions were organized to enhance vigilance awareness among the employees.

28. DISPOSAL OF REQUEST/APEAL UNDER RTI ACT

Company emphasizes on transparency and timely submission of information sought was given priority.

29. SAFEGUARD OF WOMEN AT WORKPLACE - ICC

The Internal Complaints Committee (ICC) was reconstituted in May, 2019 for Prevention of Sexual Harassment of Women at Workplace and redressal of complaints of sexual harassment in line with guidelines of the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013.

30. QUALITY ASSURANCE

Your company never compromises on quality of the products manufactured. The company takes all measures to maintain the quality of its products and services to the utmost satisfaction of its customers, keeping this in view Quality assurance department has been centralized for three plants. The standards of Quality of products and services are being maintained as per relevant Indian standards & ISO 9001:2015.

31. ENERGY AUDIT

Energy audit of HEC has been done by FICCI through EESL in the year 2019 during the period from April 2019 to August 2019.

32. R&D, TECHNOLOGY ABSORPTION, ADAPTATION, AND INNOVATION; ENERGY CONSERVATION

The particulars required under section 134 (3) of the Companies Act, 2013 regarding R&D, Technology Absorption, Adaptation and Innovation as well as Energy Conservation are furnished in Annexure- 'A'.

33. DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors state that:

- a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

- b) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) the directors have prepared the annual accounts on a going concern basis; and
- e) the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

34. FOREIGN EXCHANGE

The foreign exchange outgo during the year was Rs. 5.48 Lakh.

35. CORPORATE GOVERNANCE

The company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance requirements set out by the Companies Act. The report on Corporate Governance is placed at Annexure-B.

36. MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Management Discussion & Analysis Report is placed at Annexure-C.

37. STATUTORY AUDITOR

The Statutory Auditor of your Company are appointed by the Comptroller & Auditor General of India.

38. COMMENTS OF C&AG AND STATUTORY AUDITORS AND MANAGEMENT'S REPLIES THEREON

The comments of C&AG under Section 143(6) of the Companies Act, 2013 on the Annual Accounts of the Company for the year ended 31.03.2020 along with the Review of Accounts of your Company by C&AG and Statutory Auditors' observations along with Management's replies thereto are furnished in ANNEXURE-'D'.

39. EXTRACT OF ANNUAL RETURN

The extract of Annual Return in Form No. MGT -9 as required under section 92 of the Companies Act, 2013 for the financial year ending 31st March, 2020 is placed at Annexure -E.

40. BOARD OF DIRECTORS

Being a Central PSU, the appointment/nomination of all Directors of HEC Ltd is done by the President of India, through the Department of Heavy Industries, Ministry of



Heavy Industry & Public Enterprises. As per DPE guidelines on Corporate Governance, the Board of Directors of HEC Ltd is classified in three categories viz., (i) Full time Functional Directors (Whole Time Directors) consisting of Chairman cum Managing Director and four functional Directors (ii) Government Directors consisting of two Government Nominee Official Directors; and (iii) Non-Official part-time Directors consisting of four Independent Directors.

As on 31st March, 2020, the Board of HEC Ltd. consists of Five Directors who have been classified in two classes viz., (i) Functional Directors (Whole Time Directors) and (ii) Government Nominee Official Directors. The Board includes (a) Chairman-cum-Managing Director (CMD), Addl. Charge & Three Functional Directors i.e. Director (Finance), Director (Personnel) and Director (Marketing), (b) One Government of India Nominee Official Director.

Dr. Nalin Shinghal, CMD (BHEL) holding the Addl. Charge of the post of Chairman-cum- Managing Director (CMD) and Dr. Rana S Chakravarty, Director (Marketing) holding the Addl. Charge of the Post of Director (Production) of the Company.

During the year, Shri Pravin L Agrawal, JS/DHI & Government Nominee Official Director has relinquished the directorship and the term of Non-official Directors (Independent Directors) namely, Shri Krishna Kumar Singh, Shri Ardhendu Shekhar Sarangi, Shri H N Ramakrishna & Dr. (Smt.) Taran Kumari Roy has been completed in terms of Government of India, DHI's Order.

41. AUDIT COMMITTEE

Audit Committee was reconstituted by the Board in its 330th Meeting held on 28th June, 2019 with Shri Ardhendu Shekhar Sarangi, Independent Director, as the Chairman of the Committee. Smt. N S Kumar, CCA/DHI (Govt. Nominee Director) and Dr. (Smt.) Taran Kumari Roy (Independent Directors) were members of the Audit Committee.

Director (Finance) of the Company is the permanent invitee to the Meetings of the Audit Committee.

Shri Ardhendu Shekhar Sarangi & Dr. (Smt.) Taran Kumari Roy ceased to be director of the company w.e.f. 26.01.2020.

Presently there is no independent director on the Board, so audit Committee is not functioning.

42. BUSINESS DEVELOPMENT COMMITTEE

Board level Business Development Committee was reconstituted by the Board in its 330th Meeting held on 28th June, 2019 with Shri H.N. Ramakrishna as the Chairman of the Committee. CMD/HEC, Director (Marketing) & Shri Ardhendu Shekhar Sarangi were members of the Business Development Committee. Shri K. Sutradhar was nominated as Member Secretary.

Shri H.N. Ramakrishna & Shri Ardhendu Shekhar Sarangi ceased to be director of the company w.e.f. 26.01.2020 and in effect of the relinquishment of their directorship, Business Development Committee is not functioning.

43. ACKNOWLEDGEMENT

The Board gratefully acknowledges the support and guidance received from the various Ministries of the Govt. of India.

The Board is particularly grateful to the Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises for their continued support in the efforts for revival of this Company.

The Board also wishes to place on record its thanks to the Govt. of Jharkhand for all their continuous support for the functioning of the company.

The Board wishes to place on record its appreciation of the continued co-operation received from all its stake holders including the State Bank of India, suppliers, customers, financial institutions, the Comptroller and Auditor General of India and Statutory Auditor.

The Board wishes to record its deep gratitude to all the members of the HEC family who have worked very sincerely and dedicatedly.

For and on behalf of Board of Directors

(Dr. Nalin Shinghal)

Chairman-cum-Managing Director

ANNEXURE-A
RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION, ADAPTATION, INNOVATION AND ENERGY CONSERVATION
I. RESEARCH & DEVELOPMENT ACTIVITIES OF THE COMPANY DURING THE YEAR

The product concept of Hydraulic Excavator which was conceived during 2016-17 was given shape after various customer and market survey. The basic engineering design for the product done in 2017-18. Integration of kinematics, hydraulics and automation done to give the product distinctive features that sharpens commercial edge of the product during 2018-19. The product Hydraulic Excavator (front shovel model Earth 5.0) has successfully tested and inaugurated on 18th September 2019.

Back hoe Hydraulic Excavator with additional optional Front hoe attachment developed by HEC:

HEC developed a fully indigenous design suiting Indian mining condition and operation practice. Finite element analysis helped in design optimization leading to development of rugged structural design. The construction provides maximum safety to the operator and vital components like engine and hydraulic power pack.

The machine is powered by an efficient diesel engine of 405 KW which is electronically controlled. Engine Management System (EMS) ensure complete control of all aspects of engine performance and make it respond as per load requirement on the hydraulic side.

Compact CMA (Controlled Metered Automated) valve is the heart of the Hydraulic System. The CMA200 is an advanced CAN-Enabled (Controller Area Network) electro-hydraulic valve with independent metering that utilizes pressure and position sensors, on board electronics, and advanced software control algorithms. The CMA offers high performance with sub-micron hysteresis, closed loop control over the spool position, and repeatable performance. CMA valves are controlled by electrical system (Joy sticks and Foot Paddles) communicated through CAN protocol thereby eliminate hydraulic pilot line. This makes hydraulic system compact and maintenance requirement is less.

The excavator designed for continuous digging and loading for a system of 3 shifts each of 8 hours duration per day (with designated routine maintenance) throughout the year in hard, highly abrasive, blasted sandstone/rock / mineral. The excavator shall be suitable for loading on Rear Dumpers / haul truck / tripper truck.

MINING

- Hydraulic Front Shovel 5 Cu.M – In house designed Hydraulic Excavator (front shovel model Earth 5.0) has successfully tested and inaugurated on 18th September 2019. Further testing of excavator is under progress as per ISO norms.

- Electric Rope Shovel 10 Cu.M: The new scheme of individual track drive and feasibility of individual gear box in existing type model is under development.

Crane

- Equalizer Pulley block Design - Equalizer pulley swing design in order to match the axis of pulley with rope for 40+40 T RSP crane.

Others

- Casting Design – Bull ring casting, Anchor hawse pipe, etc for MDL & GRSE has been developed & designed as per customer's requirement.
- Die Design - Die has been developed for end product of dish manufacturing. The design and detail drawing for die manufacturing has been released for Project B11.
- Potable Metallic Ramp - In house designed, developed and manufactures the easily portable mobile metallic ramp of 25T capacity for Indian Army.
- 3D Deck - Design and Development of 3D Deck for loading of vehicles in rail rack for Indian Army.

II. IMPORT SUBSTITUTION ITEMS MANUFACTURED AND SUPPLIED DURING THE YEAR

- Dragline components namely Pinion Shaft (04 Nos.), Intermediate Gear Wheel (03 Nos.), Main Gear Wheel (02 Nos.), Walk Gear Wheel (01 No.), Eccentric Assembly and few other components worth Rs. 18 Cr. were manufactured and supplied to NCL.
- Critical spares for crushers mainly Gyrotory Crusher such as crushing Head Assembly, Counter Shaft Assembly, Bevel Gear and Bowl Assembly worth Rs. 4.65 Cr.
- Another Steel Plant spare: Hollow Shaft (01 No.) worth approx. Rs. 1.0 Cr. manufactured and supplied to BSL, Bokaro (SAIL).

III. Energy Conservation

The various steps taken for Energy Conservation in HEC are as under:

- Implementation of energy efficiency measures based on deemed energy saving ESCO model got done through EESL under which energy efficient appliances have been installed in place of conventional appliances.
- Decentralization of compressed air system has been done.
- Daily Monitoring of condenser banks got done for maintaining APF (average power factor) as high as possible.
- Counseling of individuals regarding energy conservation consciousness.

REPORT ON CORPORATE GOVERNANCE

1.0 Company's Corporate Governance Philosophy:

Heavy Engineering Corporation Limited (HEC Ltd.) believes in fair & transparent business activities, to enhance the value for all those who are associated with the Company viz., Shareholders, Customers, Vendors, Employees, Ministry of Heavy Industries & Public Enterprises, Government of India as owner or any other capacity, various State Governments, other Government agencies/departments and the society at large. Essentially HEC involves practicing of good Corporate Governance policies and believes in honesty and integrity through transparency, accountability, commitment and attaining maximum level of enrichment of the enterprises.

HEC manages its affairs in a competitive business environment in a manner that complies with all the laws and regulates the management policies/decisions for executing its strategies. HEC has made its senior management accountable in the pursuit of achieving company's objectives.

HEC is committed to practicing Good Corporate Governance. Keeping with the spirit of the Corporate Governance, the Company has enlarged and strengthened the scope of the committees formed in accordance with the Companies Act, 2013.

2.0 Board of Directors:

The Board of Directors is at the core of our corporate governance practice and oversees and ensures that the Management serves and protects the interest of all our stakeholders. The Board also reviews and approves the strategic and business plans including monitoring of all major activities of the Company.

In accordance to the provisions of the Articles of Association, the number of Directors of the Company shall neither be less than two nor more than fifteen. Being a Central PSU, Appointment/Nomination of all the Directors of HEC Ltd is done by the President of India through the Department of Heavy Industries, Ministry of Heavy Industry & Public Enterprises

As per DPE guidelines on Corporate Governance, the Board of Directors of HEC Ltd is classified in three categories viz., (i) Full time Functional Directors (Whole Time Directors) consisting of Chairman cum Managing Director and four functional Directors (ii) Government Directors consisting of two Government Nominee Official Directors; and (iii) Non-Official part-time Directors consisting of four Independent Directors.

The terms, conditions and tenure of appointment of all Directors are decided by Government of India, Ministry of Heavy Industries & Public Enterprises. The remuneration/compensation payable to Directors is also fixed by Government of India and the CMD and Functional Directors

(Whole – time Directors) are paid monthly remuneration as fixed by Government of India. The Part –time Independent Directors are paid sitting fees for attending the meetings.

As on 31st March, 2020, the Board of HEC Ltd. consists of Five Directors who have been classified in two classes viz., (i) Functional Directors (Whole Time Directors) and (ii) Government Nominee Official Directors. The Board includes (a) Chairman-cum-Managing Director (CMD), Addl. Charge and three Functional Directors i.e. Director (Finance), Director (Personnel) and Director (Marketing), (b) One Government of India Nominee Official Director.

Dr. Nalin Shinghal, CMD (BHEL) holding the Addl. Charge of the post of Chairman-cum-Managing Director (CMD) and Dr. Rana S Chakravarty, Director (Marketing) holding the Addl. Charge of the Post of Director (Production) of the Company.

During the year, Shri Pravin L Agrawal, JS/DHI & Government Nominee Official Director has relinquished the directorship and the term of Non-official Directors (Independent Directors) namely, Shri Krishna Kumar Singh, Shri Ardhendu Shekhar Sarangi, Shri H N Ramakrishna & Dr. (Smt) Taran Kumari Roy has been completed in terms of Government of India, DHI's Order. Presently, there is no independent director on the Board of HEC Ltd. As on March 31, 2020, four vacancies of Part- time Non-official Directors (Independent Directors), one vacancy of Government Nominee Official Director, one vacancy of Chairman-cum-Managing Director and one vacancy of Director (Production) exist on the Board of Company. The matter of filling up of these vacancies is under consideration of Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises, Government of India.

2.1 Chairman-cum-Managing Director:

- | | |
|---|--|
| i) Shri Mradul Kumar Saxena
Director (Personnel) | : w.e.f. 01.04.2019
to 30.09.2019, (Addl. Charge) |
| ii) Dr. Nalin Shinghal
CMD (BHEL) | : w.e.f. 01.10.2019
to 31.03.2020, (Addl. Charge) |

2.2 Functional Directors:

- | | |
|------------------------------------|--|
| i) Smt. Arundati Panda | : Director (Finance) |
| ii) Sri Mradul Kumar Saxena | : Director (Personnel) |
| iii) Dr. Rana Subhasis Chakravarty | : Director (Marketing) &
Director (Production),
Addl. Charge |

2.3 Govt. of India Nominee Part-time Official Directors:

- | |
|--|
| i) Shri Pravin L Agrawal, JS/DHI (Ceased to be Director,
w.e.f. 28.02.2020) |
| ii) Smt. Neelam Sudhir Kumar, CCA/DHI |

2.4 Govt. of India Nominee Non-Official (Part- time) Director:

- i) Shri Krishna Kumar Singh : (Ceased to be Director, w.e.f. 16.06.2019)
- ii) Shri Ardhendu Shekhar Sarangi : (Ceased to be Director, w.e.f. 26.01.2020)
- iii) Dr. (Smt.) Taran Kumari Roy : (Ceased to be Director, w.e.f. 26.01.2020)
- iv) Shri H.N.Ramkrishna : (Ceased to be Director, w.e.f. 26.01.2020)

Presently, there is no non- official director/ independent director on the Board of Company.

3.0 Meeting of the Board:

The Board Meetings are held at Company's Registered Office at Ranchi or at such places as may be decided by the Management. The Company Secretary serves as Secretary to the Board.

3.1 Number of Board Meetings:

During the year 2019-20, Five (5) Meetings were held, the details of which are given below:-

Sl.No.	Date	Board Strength	No. of Directors present
1.	28.06.2019	08	08
2.	26.07.2019	08	08
3.	27.09.2019	08	08
4.	21.11.2019	09	08
5.	24.02.2020	06	06

3.2 Attendance of each Director at Board Meetings:

Name of the Directors	Period	No. of Board Meetings held	No. of Board Meetings Attended	No. of Directorship in other Board
(a) Executive Directors (Whole-time Functional Directors)				
1. Dr. Nalin Shinghal (Entrusted with Addl. Charge of the post of CMD w.e.f. 01.10.2019)	01.10.2019 to 31.03.2020	02	02	01
2. Smt. Arundati Panda, Director (Finance)	01.04.2019 to 31.03.2020	05	05	00
3. Sri Mradul Kumar Saxena, Director (Personnel) (Held Addl. Charge of the post of CMD upto 30.09.2019)	01.04.2019 to 31.03.2020	05	05	01
4. Dr. Rana Subhasis Chakravarty, Director. (Marketing) & (Prodn.), Addl. Charge	01.04.2019 to 31.03.2020	05	05	00
(b) Govt. of India Nominee Part-time Official Director				
1. Shri Pravin L Agrawal (Relinquished on 28.02.2020)	01.04.2019 to 28.02.2020	05	05	05
2. Smt. Neelam S Kumar	01.04.2019 to 31.03.2020	05	04	03
(c) Part-time Non-Official Director				
1. Shri K.K.Singh	01.04.2019 to 16.06.2019	00	00	00
2. Shri A.S.Sarangi	01.04.2019 to 26.01.2020	04	04	00
3. Dr. (Smt.) Taran Kumari Roy	01.04.2019 to 26.01.2020	04	04	00
4. Shri H.N. Ramakrishna	01.04.2019 to 26.01.2020	04	04	00

3.3 Board Agenda and Material:

The Board believes that a carefully planned Agenda is important for effective Board Meetings. All major issues included in the Agenda are backed by comprehensive background information to enable the Board to take decisions. The agenda is flexible enough to accommodate any unexpected development (s) requiring Board's attention and its decision. Agenda papers are, generally circulated well in advance to the Members of the Board. The Board members, in consultation with the Chairman may bring up any relevant matter for the consideration of the Board.

4.0 Audit Committee:

Audit Committee Meetings are held at Company's Registered Office at Ranchi or at such places as may be decided by the Chairman of Audit Committee.



4.1 Number of Audit Committee Meetings:

During the year 2018-19, Four (4) Meetings were held, the details of which are given below:-

Sl.No.	Date	Strength	No. of Members present
1.	28.06.2019	02	02
2.	25.07.2019	03	03
3.	27.09.2019	03	03
4.	27.12.2019	03	02

Smt. Arundati Panda, Director (Finance) is permanent invitee of Audit Committee Meeting.

4.2 Attendance of each Member at Audit Committee Meetings:

Name of the Members	Period	No. of Meetings held	No. of Meetings Attended
1. Shri Ardhendu Shekhar Sarangi	01.04.2019 to 26.01.2020	04	04
2. Smt. N. S. Kumar	01.04.2019 to 31.03.2020	03	03
3. Shri K.K.Singh	01.04.2019 to 16.06.2019	00	00
4. Dr. (Smt.) Taran Kumari Roy	01.04.2019 to 26.01.2020	04	03

Since presently there is no non- Official Director/ Independent Director on the Board of Company, the Board level Audit Committee is not functioning in the Company.

5.0 Meeting of Independent Directors:

The Independent Directors play an important role in deliberations at the Board and Board level Committee meetings. They bring to the Company their expertise in the fields of engineering, finance, management, law, policy etc. A meeting of the Independent Directors of the Company was held at Ranchi on 26.07.2019, wherein, a review of the performance of the Company and also of the non-independent Directors, the Chairman and the Board as a whole during the financial year was discussed.

6.0 Annual General Meeting:

Time, Date & Venue of last three AGMs:

Year	Date	Time	Venue
2016-17(58th AGM)	06.09.2017	11:00 AM	Registered Office
2107-18(59th AGM)	07.09.2018	11:00 AM	Registered Office
2018-19(60th AGM)	27.09.2019	11:30 AM	Registered Office

7.0 Code of Conduct:

The Board of Directors has laid down Code of Business Conduct and Ethics for the Board Members and Senior Management of the Company in line with DPE guidelines.

8.0 Disclosures:

In compliance of Sec 184 of the Companies Act, 2013, the Company has obtained Disclosure of Interest (Form MBP-1) from all the Directors.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview:

HEC is one of the leading manufacturers & suppliers of capital equipments & machineries in India for steel, mining, railways, nuclear power, defense, space research and strategic sectors. It also executes turn-key projects from concept-to-commissioning. In six decades of experience, HEC has contributed the country through its engineering excellence and supply of critical equipments in strategic sectors.

In the slower pace of economy, HEC has bagged the order booking worth Rs. 1013.47 Cr. during FY 2019-20. Major orders move up Indigenization & Import-substitution. Strategic objective of the company is to build a sustainable organization that remains relevant to the **Make in India** movement of our country.

1.0 SWOT Analysis: STRENGTH AND WEAKNESSES, OPPORTUNITIES AND THREATS

1.1 Strengths

- (i) Unique infrastructure in India for manufacturing of heavy engineering equipments in the field of steel, mining, railways, nuclear power, defense, space research, core sectors and strategic sectors, etc.
- (ii) Our manpower are very experienced.
- (iii) Location of our industry is having all the plus points regarding proximity of raw materials, markets and is well connected with all parts of the country.
- (iv) All units of the Company are located in one place hence proper coordination around the units is there.
- (v) The manpower of the corporation accommodated in its own township.

1.2 Weaknesses:

- (i) Due to old machineries, tools & tackles, there are frequent breakdowns which also increase the maintenance cost and deteriorate the performance.
- (ii) There has been technological obsolescence because of no technology upgradation over the past many years and due to this some new orders which are demanding latest technology parameters are not being bagged by HEC.
- (iii) Reduction in manpower due to no fresh intake of

manpower & less remuneration as compared to other organizations.

- (iv) The Company has been incurring losses since long so there is crisis of working capital and due to this lot of obstacles is coming in execution of the orders in hand.

1.3 Opportunities:

- (i) HEC is having extensive capacity, exclusive expertise & supportive technical teams, therefore, it has entered into new market segments, e.g. Strategic Sectors, Nuclear Power Sectors, Space Technology, etc.
- (ii) Covid-19 pandemic has created a situation where many top global firms are exploring the feasibility in India, in this era such type of firms can utilize available facilities & infrastructures, etc. of HEC.
- (iii) The latest announcement of Hon'ble Union Finance Minister Nirmala Sitharaman regarding "No global tenders for government purchases up to Rs 200 crore" will benefit the Company and it is expected that HEC becoming one of the leading manufacturers & suppliers of heavy engineering equipments in the country.
- (iv) Various organizations make use of infrastructure e.g. land, technology, capacity, etc. which benefits them commercially & socially.
- (v) Core Group of Secretaries (CGD) had recommended for transfer of HEC from DHI to DAE. However, the matter is under status quo. If this proposal is approved by Govt of India, HEC will greatly contribute to the Nation Building.

1.4 Threats:

- (i) Due to old machineries & technology, HEC is losing competitiveness in the current market which is demanding articles of latest technology
- (ii) Many Private sectors are gearing up as a competitor of HEC in the field of heavy engineering equipments.
- (ii) Due to long cycle of work order, crunch of working capital & high production cost, our margin is being reduced and because of this heavy financial crisis could be faced.

AUDITOR'S REPORT

To
The Members of
Heavy Engineering Corporation Limited
Report on the Audit of Standalone financial Statements Opinion

Opinion

We have audited the accompanying Standalone Financial Statements of Heavy Engineering Corporation Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss and the Statement of Cash Flows for the year then ended and a summary of the significant accounting policies and other explanatory information, hereinafter referred to as the Standalone Financial Statements.

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 Accounting Standards prescribed under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006, as amended, ("AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its Loss, and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Company Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone 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 (ICAI) together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Company Act, 2013 and the Rules made there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Key Audit Matters

This section of our auditor's report is intended to describe the matters selected from those communicated with management that, in our professional judgment were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matter described below to be the key audit matters to be communicated in our report.

Sl. No.	Key Audit Matter	Auditor's Response
1.	<p><u>Assessment of Provisions and Contingent Liabilities</u></p> <p>In respect of certain litigations including direct and indirect taxes, various claims filed by other parties not acknowledged as debt.</p> <p>A high level of judgment is required in estimating the level of provisioning. The company's assessment is supported by the facts of matter, their own judgment, past experience, and advice from legal and independent tax consultant wherever considered necessary. Accordingly, unexpected adverse outcomes may significantly impact the company's reported loss and net assets. Associated uncertainty relating to the outcome requires application of judgment in Interpretation of law.</p>	<p><u>Principal Audit Procedures:</u></p> <p>Our audit was focused on analysing the facts of subject matter under consideration and judgments/interpretation of relevant law.</p> <ul style="list-style-type: none"> • Examining recent orders and/or communication received from various Tax authorities/judicial forums and follow up action thereon. • Understanding the current status of the litigation/tax assessments • Evaluating the merit of the subject matter under consideration with reference to the grounds presented therein and available independent legal / tax advice • Review and analysis of the contentions of the company through discussion, collection of details of the subject matter under consideration, the likely outcome and consequent potential outflows on those issues.
	<p>Refer Note 33.1 to the Financial Statements</p>	<p><u>Audit Conclusion:</u></p> <p>Our procedures did not identify any material exceptions except that the review on case to case basis was not done at year end to accommodate changes in figure of liability, if any.</p>

Emphasis of Matter

Sl. No.	Auditors Report	Management Reply
(a)	Refer Note No. 1 (3), 1(4),1(5) of "Significant Accounting Policies", Refer Note No. 17 – of "Inventories", Note No. 33.14(a) of "Other Notes of Financial Statements", the revenue in 2019-20 from four turnkey projects executed by project division of the company is Rs. 2312.34 lacs (Previous year-Rs. 8275.22 lacs). The cost incurred on all these 4 projects till 31.03.2020 is Rs. 86147.28 lacs against which revenue recognized by company is Rs. 79375.60 lacs only. The company has not recognized contract work in progress of projects in its books of accounts.	Revenue is recognized on percentage completion method base on the percentage of actual cost incurred up to the reporting date to the total estimated cost of the contract. Income from supply erection of equipment/ system and civil works is recognized based on dispatches to customers and works done at Project Site. Contract work-in-progress As per AS-7- A contractor may incur costs that relate to future activity in a contract. Such costs are recognized as an asset if it is probable that they will be recovered. Billing/Revenue recognition has been done for all activities and corresponding expenditure as per terms- & contract. Hence nothing is considered in WI.
(b)	Refer Note No. 15 - forming part of the standalone financial statements which shows that provisioning has been done against long term loans and advances which includes deposits/security deposits, advances to suppliers etc. A high level of judgment is required in estimating the level of provisioning. The company's assessment is not supported by the facts of matter but past practice adopted consistently in earlier years. Accordingly, unexpected adverse outcomes may significantly impact the company's reported loss and net assets. We observed that as a practice being followed consistently, the company is making provision of 100% against all long-term advances/security deposit given which are continuing in the books of accounts for more than 3 years. The company has made provision against	Noted, Company has practise of making 100% provision against long term loans and advances which includes deposits/security deposits, advances to supplier etc. and which are continuing in the books of accounts for more than 3 years. This balances will be reviewed and necessary adjustment will be considered accordingly.
(i)	the deposits made under protest to various tax authorities and the partial demand paid under protest against dues payable to various State/ Central Government Departments where the amount is disputed and final demand is yet to be quantified – Total Provision Made Rs 51.46 lacs.	
(ii)	the amount paid as long-term advances to various parties including State/Central Government Units / PSUs/Departments - Total Provision Made Rs 784.22 lacs. The company could not produce any supporting documents with regards to basis of provisioning except the submission of fact that the same practice is being followed. This has resulted in over statement of loss to the tune of Rs 835.68 lacs and understatement of assets of the Company to the tune of Rs 835.68 lacs.	

Sl. No.	Auditors Report	Management Reply
(c)	<p>Refer Note No. 8 – forming part of the standalone financial statements - “Trade payables to Micro Enterprises” and Balance Sheet item no. 4B(i) Outstanding Dues of Micro Enterprises, Small Enterprises and Medium Enterprises - in aggregate amounts to Rs. 1,483.74 Lacs which has been provided for or included as liability. Further, the company has reported in Note 33.16 – “Other Notes to Financial Statement” that in addition to the amount of liability of Rs 1,483.74 lacs, further liability of interest is Rs. 2,301.74 lacs. The amount due as interest payable to MSME amounting to Rs 2,301.74 lacs has not been shown as liability/contingent liability but shown under Other Notes to the Standalone financial Statement. The analysis of dues further reflects that the dues up to 45 days is Rs. 300.83 lacs (20.27%), up to 180 days is Rs. 613.79 Lacs (41.37%), between 181 days to 360 days is Rs 33.86 lacs (2.29%) and more than 360 days is Rs. 535.25 lacs (36.07%). The company could not produce the year wise break up for interest amount payable against dues to MSME sector. Further, the company could not produce any correspondence or any document to substantiate its efforts made towards discharging this liability to MSME sector. The liabilities of the company are over or under stated to the extent the adjustment required to be made after reconciliation and balance confirmation including adjustment of interest payable, if any, there on.</p>	<p>Note No. 8 - As per Section 22 of the MSMED Act purchaser who buys goods or avail services from the MSMEs has to mandatorily disclose in additional information in respect of the principal amount and the interest due thereon remaining unpaid to the MSMEs in its annual statement of accounts in the prescribed format. HEC complied this in Note No. 33.16 - “Other Notes to Financial Statement.</p> <p>Till date out of Rs. 14.84 crore Rs. 8.26 crore have been paid. Review for pending cases of Rs. 6.58 crore will be made by the committee consisting of concerned Finance and Material Management and necessary adjustment/recovery if any will be made accordingly as per Committee Report.</p>
(d)	<p>Refer Note No. 10 (a) – Forming part of the standalone financial statement – “Short Term Provisions” – Provision for Employees benefits – Revision of Pay Scale – The amount paid towards arrears was being booked under expense head till financial year 2018-19 and the liability remained unpaid and the same has been corrected in this year and a sum of Rs. 357.77 lacs have been reduced from liability and adjusted in prior period adjustment account.</p>	<p>Adjustment done in the F.Y. 2019-20.</p>
(e)	<p>Refer Note No. 18 – “Trade Receivables” – Rs. 8903.51 Lacs -Note No. 21- “Rent & Other Receivables” under Other Current Assets Rs. 8917.95 Lacs and Note No. 16- “Long Term Trade Receivables” under Other Non- Current Assets – Rs. 37001.15 Lacs – all these three Notes forming part of the standalone financial statement – The balances shown are subject to confirmation from the parties and consequential adjustment on reconciliation, if any. The assets of the company are over or under stated to the extent the adjustment required to be made after reconciliation and balance confirmation.</p>	<p>Letter for confirmation of balance in respect of Trade receivable has been sent, but confirmation is still not received.</p> <p>However, the balances in trade receivable are in accordance with information and documents.</p>
(f)	<p>Refer Note No. 8 – forming part of the standalone financial statement – “Trade Payables” – Rs. 10921.94 Lacs – the balances shown are subject to confirmation from the parties and consequential adjustment on reconciliation, if any. The liabilities of the company are over or under stated to the extent the adjustment required to be made after reconciliation and balance confirmation.</p>	<p>Noted</p>

Sl. No.	Auditors Report	Management Reply
(g)	Refer Note No. 31 – forming part of the standalone financial statements - “Prior period Adjustment” – The company does not have any accounting policy with regards to prior period adjustment. The materiality concept is not considered and the errors/omissions discovered in the current year relating to prior periods are treated as prior period items and adjusted during the current year. This practice where there is no upper limit of amount has allowed company’s management to book expenses and or income of earlier years of substantial quantum without any restriction and control.	Accounting Policy will be made within the frame work of Accounting Standard
(h)	The company working is based on out sourced contracts also and any uncertainty in their operations will have adverse impact on Company’s working and revenue booking. Further seeing the quantum and nature of contingent liability, the exceptional litigation and regulatory actions in future cannot be ruled out.	Noted

Our opinion is not qualified with regards to above.

Other Information

The Company’s management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company’s Annual Report, but does not include the standalone financial statements and our auditors’ 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 in the 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. As the Other Information has not been provided to us, we have nothing to report in this regard.

For Lodha Patel Wadhwa & Co.

Chartered Accountants

FRN 006271C



CA S.K. Wadhwa

Partner

M. No. 074749

UDIN : 20074749AAAACA9040



R. K. Srivastava

Sr. DGM I/C (A & B)

Place : Ranchi

Date : 04th November 2020

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 financial statements that give a true and fair view of the financial position, financial performance including cash flows of the Company in accordance with the Accounting Standards(AS) prescribed under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006, as amended, and other accounting principles generally accepted in India. 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.

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

Auditor's Responsibility for the Audit of the Standalone financial Statements

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 of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone 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 believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone 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.

Report on Other Legal and Regulatory Requirements

1. As required under section 143(5) of the Companies Act 2013, we give in "Annexure 1" a statement on the Directions issued by the Comptroller and Auditor General of India after complying the suggested methodology of Audit, action taken thereon and impact on the accounts and the standalone financial statements of the Company.
2. As required by the Companies (Auditor's Report) Order 2016 ("the Order") issued by the Central Government of India in terms of section 143(11) of the Act, we give in "Annexure 2" a statement on the matters specified in paragraph 3 and 4 of the Order.
3. As required by Section 143(3) of the Act, based on our audit 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 including and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
 - (d) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards prescribed under section 133 of the Act.
 - (e) on the basis of the written representations received from the directors of the Company as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act.
 - (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 3". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
 - (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, 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.
 - 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.
 - iii. As per representation received from the management, there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For Lodha Patel Wadhwa & Co.

Chartered Accountants

FRN 006271C



CA S.K. Wadhwa

Partner

M. No. 074749

UDIN : 20074749AAAACA9040

Place : Ranchi

Date : 04th November 2020

ANNEXURE – 1 TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 1 under Report on Other Legal and Regulatory Requirements’ section of our report to the Members of Heavy Engineering Corporation Limited of even date)

Annexure – A

Directions under section 143(5) of the Companies Act 2013 applicable for the financial year 2019-20 account’s audit

- i. Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implication of processing of accounting transactions outside IT System on the integrity of accounts along with financial implications, if any may be stated.

The company has system in place to process all the accounting transactions through IT system but it lacks a robust integrated system with proper internal control system in place with well-defined financial controls and internal checks which is required for integration of all departments and process at various divisions as well as at Head Quarters. Further stores ledgers at plant store are maintained on non- integrated system. However, there is no material implication on the standalone financial statements.

- ii. Whether there is any restructuring of existing loan or cases of waiver /write off of debts/loans/interest etc made by the lender to the Company due to the Company’s inability to repay the loan? If yes, financial impact is to be stated.

As per information and explanation given to us, there is no restructuring of existing loan or cases of waiver / write off of debts/loans/interest etc made by the lender to the Company due to the Company’s inability to repay the loan. However, company has not paid the principal amount as well as interest of loan granted by Govt. of India due to its inability to pay instalments of loan and interest which are already due.

- iii. Whether funds received/receivable for specific schemes from Central/State Agencies were properly accounted for / utilized as per its terms & conditions? List the cases of deviation.

As per information and explanation given to us, funds received/receivable for specific schemes from Central/ State Agencies were properly accounted for /utilized as per its terms & conditions.

Place : Ranchi

Date : 04th November 2020

For Lodha Patel Wadhwa & Co.
Chartered Accountants
FRN 006271C



CA S.K. Wadhwa

Partner

M. No. 074749

UDIN : 20074749AAAACA9040

ANNEXURE '2' TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Heavy Engineering Corporation Limited of even date)

- i. In respect of the Company's fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The fixed assets of the company have been physically verified by the internal auditor during the year. However, it has been done on test check basis which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) According to the information and explanations given to us, the records examined by us and based on the examination of the conveyance deeds provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date.
- ii. In respect of Inventories:
 - (a) According to information and explanation given to us, the company has maintained proper records of its inventories and the management has deputed internal auditor to physically verify inventory at year end. As reported to us the discrepancies noticed on physical verification have been properly dealt in books of accounts.
- iii. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to bodies corporate, firms, Limited Liability Partnership or other parties covered in the register maintained under section 189 of the Companies Act, 2013 and therefore, the provisions of this clause 3(iii) of the Order are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- v. According to the information and explanations given to us, the Company has not accepted deposits during the year and does not have any unclaimed deposits as at March 31, 2020 and therefore, the provisions of this clause 3(v) of the Order are not applicable to the Company.
- vi. According to the information and explanations given to us, the maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013 for the business activities carried out by the Company and such records have been maintained by the Company but cost audit has not been done for the financial year 2019-20.
- vii. According to the information and explanations given to us, in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Income Tax, Sales Tax, Service Tax, Goods and Service Tax, Value Added Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Provident Fund, Income Tax, Sales Tax, Service Tax, Value Added Tax, Goods and Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at March 31, 2020 for a period of more than six months from the date they became payable, except given below with appropriate authorities.

Name of Act	Amount (Outstanding) Rs. in Lakhs	Period
Water Dues	4153.75	Up to March 2020
Municipal Taxes	47.50	Up to March 2020

- (c) Details of dues of Income Tax, Sales Tax, Service Tax, Excise Duty and Value Added Tax, Goods and Service Tax, Customs duty, Excise duty, cess and other material dues which have not been deposited as at March 31, 2020 on account of dispute are given in Annexure – 2 A
- viii. According to the information and explanations given to us, the Company has taken loans or borrowings from banks and government but has not issued any debentures. The loan received from Govt. of India and interest as well as penal interest payable thereon (Rs. 9601.78 lacs) have not been paid by the company. Further there is no default in borrowings from bank.



- ix. According to the information and explanations given to us, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause 3 (ix) of the Order is not applicable to the Company.
- x. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- xi. In our opinion and according to the information and explanations given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- xii. In our opinion and according to information and explanation given to us, the Company is not a Nidhi Company and hence reporting under clause 3 (xii) of the Order is not applicable to the Company.
- xiii. In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013 where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly paid convertible debentures and hence reporting under clause 3 (xiv) of the Order is not applicable to the Company.
- xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its Directors or persons connected to its directors and hence provisions of section 192 of the Companies Act, 2013 are 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.

Place: Ranchi
Date: 04th November 2020

For Lodha Patel Wadhwa & Co.

Chartered Accountants

FRN 006271C

CA S.K. Wadhwa

Partner

M. No. 074749

UDIN : 20074749AAAACA9040

ANNEXURE “3” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 3(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report to the Members of **Heavy Engineering Corporation Limited** even date)

Report on the Internal Financial Controls Over Financial Reporting 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 Heavy engineering Corporation Limited (“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 Board of Directors of the Company 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, 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 internal financial controls over financial reporting of the Company 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 Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 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 of the Company.

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 standalone 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 standalone 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, to the best of our information and according to the explanations given to us, 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, 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, subject to our observations in this regard.

- (a) The company paid amount against liability of Salary Arrears but the amount was booked under expense head.
- (b) The advances as well as liability lying in books are not being adjusted in time. Very old advances and old liabilities are being carried in books of the company without any review for years altogether.
- (c) The company does not have age wise details of lease rentals receivable.
- (d) The concept of maker and checker while passing the entries is not being followed.
- (e) The system of provisioning needs further strengthening as there were substantial upward and downward revisions during the year in the amount of provision which are not supported by documented accounting policy and supporting documents. Further, a practice adopted few years back is being consistently being followed without any review and analyzing its impact on financials being reported.

Our opinion is not qualified with regards to above.

Place: Ranchi
Date: 04th November 2020

For Lodha Patel Wadhwa & Co.
Chartered Accountants
FRN 006271C

A handwritten signature in black ink, appearing to be 'S.K. Wadhwa', is written over a horizontal line.

CA S.K. Wadhwa
Partner

M. No. 074749
UDIN : 20074749AAAACA9040

ANNEXURE – “2 A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred in Annexure – 2 paragraph vii(c) under ‘Report on Other Legal and Regulatory Requirements’ section of our independent report to the Members of Heavy Engineering Corporation Limited of even date)

Nature of the Statute	Forum where Dispute is Pending	Pending Period to which the Amount Relates	Amount (in Lakhs)
Value Added Tax Act, 2005 (VAT)	Commissioner of Commercial Taxes, Ranchi	2008-2009	10.78
Value Added Tax Act, 2005 (VAT)	Commissioner of Commercial Taxes, Ranchi	2009-2010	19.63
Value Added Tax Act, 2005 (VAT)	Commissioner of Commercial Taxes, Ranchi	2010-2011	92.41
Value Added Tax Act, 2005 (VAT)	Commissioner of Commercial Taxes, Ranchi	2011-2012	95.66
Value Added Tax Act, 2005 (VAT)	Commissioner of Commercial Taxes, Ranchi	2012-2013	25.80
Value Added Tax Act, 2005 (VAT)	Commissioner of Commercial Taxes, Ranchi	2013-2014	373.97
Value Added Tax Act, 2005 (VAT)	Commissioner of Commercial Taxes, Ranchi	2014-2015	896.41
Value Added Tax Act, 2005 (VAT)	Commissioner of Commercial Taxes, Ranchi	2015-2016	885.53
Central Sales Tax (CST)	Commissioner of Commercial Taxes, Ranchi	2008-2009	10.35
Central Sales Tax (CST)	Commissioner of Commercial Taxes, Ranchi	2009-2010	57.76
Central Sales Tax (CST)	Commissioner of Commercial Taxes, Ranchi	2010-2011	137.18
Central Sales Tax (CST)	Commissioner of Commercial Taxes, Ranchi	2011-2012	892.60
Central Sales Tax (CST)	Commissioner of Commercial Taxes, Ranchi	2012-2013	17.44
Service Tax Act	CESTAT, Kolkata	Oct-2006 to Mar-2007	926.94
Service Tax Act	CESTAT, Kolkata	Oct-2007 to Mar-2010	1224.09
Service Tax Act	Commissioner Appeal, Ranchi	2012-13 & 2013-14	221.05
Central Excise Act	CESTAT, Kolkata	2010-11 to 2014-15	3540.54
The Employees provident fund & Miscellaneous Provision Act, 1952	High Court of Jharkhand	Mar-1976 to Sep-1999	9501.54
Jharkhand Municipal Act, 2011	High Court of Jharkhand dismissed the case and directed to file the appeal before appropriate Authority	2016-2017	934.12

Annexure -D**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(B) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF HEAVY ENGINEERING CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH 2020**

The preparation of financial statements of Heavy Engineering Corporation Limited for the year ended 31 March 2020 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act are responsible for expressing opinion on the financial statements under Section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 4 November 2020.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of Heavy Engineering Corporation Limited for the year ended 31 March 2020 under Section 143(6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and company personnel and a selective examination of some of the accounting records.

On the basis of my supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors report under Section 143(6)(b) of the Act.

For and on behalf of the
Comptroller and Auditor General of India



(A. P. Choppy)
Director General of Audit (Steel)
Ranchi

Place : Ranchi
Date : 17-12-2020

ANNEXURE-E
FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2019

[Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management & Administration) Rules, 2014]

1. REGISTRATION & OTHER DETAILS:

i	CIN	U27100JH1958GOI000630
ii	Registration Date	31/12/1958
iii	Name of the Company	HEAVY ENGINERRING CORPORATION PRIVATE LIMITED
iv	Category/Sub-category of the Company	COMPANY LIMITED BY SHARE/GOVERNMENT COMPANY
v	Address of the Registered office and contact details	PLANT PLAZA ROAD, DHURWA, RANCHI - 834004
vi	Whether listed company	No
vii	Name, Address and Contact details of the Registrar and Transfer Agent, if any.	N.A

2. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

All the business activities contributing 10% or more of the total turnover of the company shall be stated :-

Sl. No	Name & Description of main products/services	NIC Code of the Product /service	% to total turnover of the company
1	Steel Plant Mining Equipments, Steel Casting, Forgings & Rolls	273	100

3. PARTICULARS OF HOLDING, SUBSIDIARY & ASSOCIATE COMPANIES

Sl. No	Name & Address of the Company	CIN/ GLN	Holding/ Subsidiary/ Associate	% of Shares Held	Applicable Section
1	N.A				
2	N.A				
3	N.A				

SHAREHOLDING PATTERN (Equity Share Capital Break up as percentage to Total Equity)

i. Category – wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF									
b) Central Govt.	0	6060788	6060788	100	0	6060788	6060788	100	0
c) State Govt(s)									
d) Bodies Corporates									
e) Bank/Fl									
f) Any other									
SUB TOTAL : (A) (1)	0	6060788	6060788	100	0	6060788	6060788	100	0



Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2) Foreign									
a) NRI- Individuals									
b) Other Individuals									
c) Bodies Corp.									
d) Banks/FI									
e) Any other...									
SUB TOTAL : (A) (2)									
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	0	6060788	6060788	100	0	6060788	6060788	100	0

B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds									
b) Banks/FI									
c) Insurance Companies									
d) FIIS									
e) Foreign Venture Capital Funds									
f) Others (specify)									
SUB TOTAL (B)(1) :									
(2) Non Institutions									
a) Bodies Corporates									
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs.1 lakhs									
ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs									
c) Others (specify)									
SUB TOTAL (B)(2):									
Total Public Shareholding (B)=(B)(1)+(B)(2)									

C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	0	6060788	6060788	100	0	6060788	6060788	100	0

(ii) SHARE HOLDING OF PROMOTER

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		NO of shares	% of total shares of the company	% of shares pledged encumbered to total shares	NO of shares	% of total shares of the company	% of shares pledged encumbered to total shares	
1	G.O.I	6060788	100	0	6060788	100	0	0
	Total	6060788	100	0	6060788	100	0	0

(iii) CHANGE IN PROMOTERS' SHAREHOLDING (SPECIFY IF THERE IS NO CHANGE) – N.A.

Sl. No.		Share holding at the beginning of the Year		Cumulative Share holding during the year	
		No. of Shares	% of total shares of the company	No of shares	% of total shares of the company
1	At the beginning of the year	6060788	100	6060788	100
2	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	0	0	0	0
3	At the end of the year	6060788	100	6060788	100

5. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment (Amt in Lakh)				
	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtness at the beginning of the financial year				
i) Principal Amount	6684.47	4789.00		23495.22
ii) Interest due but not paid		2638.53		2638.53
iii) Interest accrued but not due		123.28		123.28
Total (i+ii+iii)	18706.22	7550.81		26257.03
Change in Indebtedness during the financial year				
Additions				
Reduction				
Net Change				
Indebtedness at the end of the financial year				
i) Principal Amount	6684.47	4789.00		11473.47
ii) Interest due but not paid		3267.63		3267.63
iii) Interest accrued but not due		491.94		491.94
Total (i+ii+iii)	6684.47	8548.57		15233.04



6. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole time director and/or Manager:

Sl. No	Particulars of Remuneration	Total Amount (Rs. Lakh)		
		Arundati Panda	M. K. Saxena	Rana S. Chakravarty
1	Gross salary			
	(a) Salary as per Provisions contained in Section 17(1) of the Income Tax Act, 1961	30.21	26.39	26.52
		00	1.73	1.73
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961			
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961			
2	Stock Option			
3	Sweat Equity			
4	Commission -as % of profit -Other, Specify			
5	Others, please specify-			
6	Total (A)			
7	Ceiling As per the Act	30.21	28.12	28.25

B. Remuneration to other Directors :

Sl. No	Particulars of Remuneration	Name of Director				Total Amount (Amt in Rs.)
		K. K. Singh	A. S. Sarangi	H. N. Ramakrishna	Taran Kumari Roy	
	Independent Directors					
	(a) Fee for attending board committee meetings	0.00	90000	70000	80000	240000
	(b) Commission					
	(c) Others, please specify- Sitting Fees					
	Total (i)	0.00	90000	70000	80000	240000
	Other Non Executive Directors					
	(a) Fee for attending board committee meetings					
	(b) Commission					
	(c) Others, please specify- Sitting Fees					
	Total (ii)	0.00	90000	70000	80000	240000
	Total B = (i+ii)	0.00	90000	70000	80000	240000
	Total Managerial Remuneration					
	Overall Ceiling as per the Act					

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel				Total (Rs. Lakh)
		CEO	Company Secretary	CFO	Total	
1	Gross Salary					
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.		12.74			12.74
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961					
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961					
2	Stock Option					
3	Sweat Equity					
4	Commission as % of profit others, specify					
5	Others, please specify					
	Total		12.74			12.74

7. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief Description	Details of Penalty/Punishment/Compounding fees imposed	Authority (RD/NCLT/Court)	Appeal made if any (give details)
A. COMPANY					
Penalty					
Punishment					
Compounding					
B. DIRECTORS					
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment					
Compounding					

HEAVY ENGINEERING CORPORATION LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2020

₹ in Lakh

	Note No.	As at 31.03.2020	As at 31.03.2019
I. EQUITY & LIABILITIES			
(1) SHAREHOLDER'S FUND			
(a) Share Capital	2	60607.88	60607.88
(b) Reserves & Surplus	3	(100680.82)	(59569.60)
(2) SHARE APPLICATION MONEY PENDING ALLOTMENT		0.01	0.01
(3) NON-CURRENT LIABILITIES			
(a) Long Term Borrowing	4	0.00	0.00
(b) Other Long Term Liabilities	5	37.67	845.78
(c) Long Term Provisions	6	8898.38	7876.31
(4) CURRENT LIABILITIES			
(a) Short Term Borrowings	7	15209.33	6684.47
(b) Trade Payables			
(i) Total Outstanding dues of Micro Enterprises and Small Enterprises		792.97	1146.45
(ii) Total Outstanding dues of Creditors other than Micro Enterprises and Small Enterprises	8	10921.94	11896.70
(c) Other Current Liabilities	9	59483.01	42769.58
(d) Short Term Provisions	10	1759.79	2878.68
TOTAL		57030.16	75136.26
II. ASSETS			
(1) NON-CURRENT ASSETS			
(a) Fixed Assets			
(i) Property, Plant and Equipment	11	5659.23	6133.32
(ii) Intangible Assets under development	12	0.00	0.00
(iii) Capital Work in Progress	13	1619.19	1684.86
(b) Non-Current Investments	14	0.36	0.36
(c) Long Term Loans & Advances	15	9.60	13.41
(d) Other Non-Current Assets	16	12598.46	15374.04
(2) CURRENT ASSETS			
(a) Inventories	17	11751.36	8556.99
(b) Trade Receivables	18	6929.47	23469.00
(c) Cash & Cash Equivalents	19	4279.48	6503.04
(d) Short Term Loans & Advances	20	6469.70	5574.56
(e) Other Current Assets	21	7713.31	7826.68
TOTAL		57030.16	75136.26

Significant Accounting Policies

1

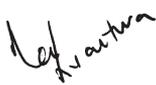
Other Notes to Financial statements

33

Notes No 1 to 33 & Cash Flow Statement form an integral part of the Financial Statement.



A. K. Kanth
Company Secretary



R. K. Srivastava
Sr. DGM I/C (A & B)



Arundati Panda
Director (Finance)



Dr. Nalin Shinghal
Chairman cum Maninging Director

In terms of our report on even date
For **Lodha Patel Wadhwa & Co**
Chartered Accountants



(CA S. K Wadhwa)

Partner

M No. 074749

FRN 006271C

Place : Ranchi

Date : 04-11-2020

Heavy Engineering Corporation Limited
STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31ST MARCH, 2020

		₹ in Lakh		
	Note No.	2019-2020	2018-2019	
I.	Revenue from Operation	22	13975.18	36384.25
II.	Other Income	23	3110.31	3600.56
III.	TOTAL REVENUE		17085.49	39984.81
IV.	EXPENSES:			
	(a) Cost of Material Consumed	24	11662.91	17765.50
	(b) Changes in Inventories of FG & WIP	25	(1854.04)	2362.75
	(c) Employees Benefits Expenses	26	13539.19	13321.46
	(d) Finance Costs	27	2423.89	2772.45
	(e) Depreciation & Amortization Expenses	28	733.22	740.91
	(f) Research & Development Expenditure	29	79.06	92.12
	(g) Other Expenses	30	30048.63	28424.63
	TOTAL EXPENSES		56632.86	65479.82
	Profit / (Loss) before Prior Period, Exceptional & Extraordinary Items		(39547.37)	(25495.01)
	Prior Period Adjustment (Net)	31	(989.52)	(129.07)
V.	Profit/(Loss) before Exceptional & Extraordinary Items & Tax		(40536.89)	(25624.08)
VI.	Exceptional Items		-	-
VII.	Profit/(Loss) before Extraordinary Items & Tax (V-VI)		(40536.89)	(25624.08)
VIII.	Extraordinary Items	32	0.00	16257.05
IX.	Profit (Loss) before Tax (VII-VIII)		(40536.89)	(9367.03)
X.	Tax Expenses			
	(i) Current Tax		0.00	0.00
	(ii) Deferred Tax		0.00	0.00
XI.	Profit (Loss) for the period from Continuing Operation (IX-X)		(40536.89)	(9367.03)
XII.	Profit (Loss) from Discontinuing Operation		0.00	0.00
XIII.	Tax Expenses of Discontinuing Operation		0.00	0.00
XIV.	Profit (loss) for the period from Discontinuing Operation (XII-XIII)		0.00	0.00
	PROFIT (LOSS) FOR THE PERIOD (XI+XIV)		(40536.89)	(9367.03)
	Earning per share (Face value ₹1000)	(1) Basic in Rupees	(668.84)	(154.55)
		(2) Diluted in Rupees	(668.84)	(154.55)
	Significant Accounting Policies	1		
	Other Notes to Financial statements	33		

Notes No 1 to 33 & Cash Flow Statement form an integral part of the Financial Statement.


A. K. Kanth
Company Secretary


R. K. Srivastava
Sr. DGM I/C(A&B)


Arundati Panda
Director (Finance)


Dr. Nalin Shinghal
Chairman cum Managing Director

In terms of our report on even date
For Lodha Patel Wadhwa & Co
Chartered Accountants


(CA S. K. Wadhwa)
Partner
M No. 074749
FRN 006271C

Place : Ranchi
Date : 04-11-2020

Heavy Engineering Corporation Limited
CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET
For the period April 2019 - March 2020

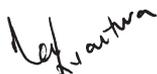
₹ in Lakhs

	2019-20	2018-19
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	(40536.89)	(25624.08)
Extra Ordinary Items	<u>0.00</u>	16257.05
	(40536.89)	(9367.03)
Adjustments for:		
Depreciation	734.23	744.33
Interest Expenses	2423.89	2772.45
Extra Ordinary Items	0.00	(16257.05)
Lease Income	(574.33)	(574.33)
Interest Earned	(66.08)	(68.23)
Incremental Provisions	<u>(96.82)</u>	<u>(1580.69)</u>
Operating Profit before Working Capital Changes	(38116.00)	(14963.52)
Adjustments for:		
Trade and Other Receivables	19428.48	15451.04
Inventories	(3194.37)	1953.90
Trade Payables	14577.08	11389.79
Loans & Advances	<u>(891.33)</u>	<u>(2061.64)</u>
Cash Generated from Operations	(8196.14)	26733.09
Income Tax Paid	0.00	2402.54
Net Cash from Operating Activities	(8196.14)	2402.54
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(315.78)	(235.25)
Sale/Adjustment of Fixed Assets	77.40	122.32
Adjustment in Accumulated Depreciation	(21.76)	(108.70)
Adjustment in Capital Work-in-Progress	65.67	(762.46)
Interest Earned	66.08	68.23
Lease income	<u>574.33</u>	<u>574.33</u>
Net Cash from Investing Activities	445.94	(341.53)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest Payment	(2423.89)	(2772.45)
Extra Ordinary Items	0.00	16257.05
Short Term Loans	8524.86	(12021.75)
Long Term Borrowings	0.00	(957.80)
Change in Reserves & Surplus	<u>(574.33)</u>	<u>(574.33)</u>
Net cash from in financing activities	5526.64	(69.27)
Net increase /(Decrease) in cash and cash equivalents	(2223.56)	1991.74
Opening Balance of Cash and Cash Equivalents	6503.04	4511.30
Closing Balance of Cash and Cash Equivalents	<u>4279.48</u>	<u>6503.04</u>
	(2223.56)	1991.74

Note:- The above Cash Flow statement has been prepared under the Indirect method as set out in Accounting Standard 3.



A. K. Kanth
Company Secretary



R. K. Srivastava
Sr. DGM I/C(A&B)



Arundati Panda
Director (Finance)



Dr. Nalin Shinghal
Chairman cum Managing Director

In terms of our report on even date
For Lodha Patel Wadhwa & Co
Chartered Accountants



(CA S. K. Wadhwa)
Partner
M No. 074749
FRN 006271C

Place : Ranchi
Date : 04-11-2020

CORPORATE INFORMATION

HEAVY ENGINEERING CORPORATION LTD (HEC) IS A PUBLIC UNDERTAKING.
HEC IS ENGAGED IN MANUFACTURING OF CAPITAL GOODS.

NOTE NO -1 SIGNIFICANT ACCOUNTING POLICIES

1. The Financial statements have been prepared as of a going concern on historical cost convention and on accrual method of accounting in accordance with the generally accepted accounting principles. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under section 133 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013.
2. **Fixed Assets**
Fixed assets (Other than land acquired free of cost from State Government) are carried at the cost of acquisition or construction less accumulated depreciation Land acquired free of cost from State Government is valued at Rs. 1/- per acre.
3. **Inventory Valuation:-**
 - i.) Inventory is valued at actual / estimated cost or net realisable value, whichever is lower.
 - ii) Finished goods and work in progress are valued at actual /estimated factory cost or net realisable value whichever is lower.
 - iii) Raw material, components, loose tools, stores & spares are valued at weighted average cost.
 - iv) Items that are not ordinarily interchangeable and goods or services produced & segregated for specific projects- By specific identification of individual cost.
 - v) Rejection and scrap/used as raw material for production is valued at closing book rate.
 - vi) Bye products are valued at market price.
 - vii) The percentage of completion of work in progress is taken as certified by Shop management on technical assessment.
 - viii) Loose tools, Drawing instruments, etc. issued to shops are carried to inventory after writing off in 4 years in case of ordinary tools, in 10 years in case of special tools, in 2 years in case of Moulds and on estimated life in case of other items. Patterns are charged out in the year of issue itself. Only quantitative records are maintained in respect of these items in shops floor, wherever practicable.
4. **REVENUE RECOGNITION :-**
 - i) Sales are recorded when significant risks and rewards of ownership are transferred to the customers. Part supplies against long term contracts for which GST Invoices have been raised are accounted for at contract price or provisional price.
 - ii) Escalations on contracts are accounted for as per the terms of relevant contract to the extent ascertained with reasonable certainty though these are subject to confirmation/acceptance by customers. Variation is accounted for when there is provision in contract or evidence of acceptance by the customer.
 - iii) For when there is provision in contract or evidence of acceptance by the customer.
 - iv) Sales are accounted for exclusive of GST.
5. **LONG TERM TURNKEY CONTRACTS :-**
 - i) **Revenue recognition :**
Revenue is recognized on percentage completion method based on the percentage of actual cost incurred up to the reporting date to the total estimated cost of the contract.
Income from supply/ erection of equipment/ system and civil works is recognized based on dispatches to customers and works done at Project Site.
 - ii) **Revenue recognition for incomplete / part executed / unmeasured work by client :-**
Works executed but not measured / part executed / incomplete work at the end of the year are accounted for based on certification both by HEC Engineers at Project Site and the customer for the purpose of recognition of Revenue.
 - iii) **Valuation of Work-in-progress :-**
Expenditure incurred from year to year limited to the certified value of work done against the contract value including escalation less amount credited to sales against the respective contract, is accounted for as WIP.
 - iv) The necessary provision for losses, if any, on work to be done is made.
6. **PROVISION FOR WARRANTY**
A provision of 0.5% on sales is made for liabilities under contractual obligations / warranties. Provision for warranties expenses will be written back as income after the expiry of one year. Expenses on warranties/ contractual obligation are accounted for against natural heads in the year of incurrence.
7. **EMPLOYEES BENEFITS :-**
Long term employee benefits (benefits which are payable after the end of twelve months from the end of the period in which the employees render service namely sick leave and post retirement benefits namely gratuity, Retirement Traveling Assistance and Leave Encashment are measured on a discounted basis by the Projected Unit Credit Method on the basis of annual third party actuarial valuation and Leave Travel



Allowance (for eligible employee) are accounted on estimated basis.

Long Term employee benefits recognized in the balance sheet represent the present value of the obligation as adjusted for unrecognized past service cost, if any, and as reduced by the fair value of plan assets, wherever applicable and actuarial gain / loss to the extent recognized in Profit & Loss Account.

Actuarial gains and losses are recognized in the Profit and loss account to the extent it exceeds the unrecognized portion of transitional liability.

The transitional liability in respect of long term employee benefit is recognized as an expense on a straight line basis over a period of five years.

Gratuity and Leave Encashment are provided for on the basis of actuarial valuation made, based on the data of the Balance sheet date.

8. DEPRECIATION

Depreciation on fixed assets is charged on straight line method as per the rates prescribed in the Schedule II of the Companies Act, 2013 and in respect of additions to/ deductions from the fixed assets during the year depreciation is charged on pro-rata monthly basis. Wherever breakup of foundation cost for plant and machinery and plant building is not available, depreciation is charged at the rate applicable to plant building.

9. SUNDRY DEBTORS

a) This includes items billed at provisional rates pending finalization of prices and receipt of formal orders from customers after adjustment on pro-rata basis of advances/progress payments received against the relevant contract.

b) The Provision is made against debtors outstanding for more than 3 years from the due date.

10 GRANT-IN-AID

Government grants received against Voluntary Retirement Scheme are set off against related expenses. Unspent balances of Grants-in-Aid are carried forward to subsequent years under Head "Liabilities". Grants received against other revenue are recognized as other income over the years to which it relates.

11 INVESTMENT

Investment held/intended to be held over one year (i.e. being long term) are valued at cost less provision for diminution in value other than temporary, while current quoted investments are valued at lower of cost or market value.

12. RESEARCH & DEVELOPMENT

Major expenditure relating to Research & Development is charged to profit & loss account in the year of incurrence. However, expenditure on fixed assets relating to Research & Development is treated in the same way as other fixed assets. Depreciation on such fixed assets is shown along with other Research

& Development Expenditure.

13. FOREIGN CURRENCY TRANSACTIONS

Monetary assets and liabilities relating to foreign currency transactions including deferred credit payments remaining outstanding at the Balance Sheet date are converted at year end rates. The differences in conversion of assets and liabilities and realized gains and losses on foreign exchange transaction during the year are accounted for in the Profit & Loss Account, except those relating to acquisition of fixed assets which are adjusted in the cost of fixed assets.

14. CLAIM BY/AGAINST THE COMPANY / LIQUIDATED DAMAGES (LD) DEDUCTED/RECOVERED BY CLIENTS FROM HEC BILLS/ LIQUIDATED DAMAGES (LD) DEUDCTED/RECOVERED BY HEC FROM SUPPLIER'S BILL :-

- (i) Liquidated damages (LD) would be accounted for as soon as it is deducted /recovered by clients from HEC bills and cases of specific damages and claims disputed by the company are provided for on reasonable estimate by the Company.
- (ii) Liquidated Damages recovered are recognized as income after expiry of three years of recovery.
- (iii) Export incentives, Railways and Insurance claim sale of sundry disposable materials & certain scraps, refund of excise & custom duty and income from other similar items are accounted for on ascertainment of the amount and certainty of their realization / claim.

15. INTER PLANT COST ALLOCATION

The following expenses are allocated in different Plants on the basis stated hereunder:-

- (a) HQRS expenses (Net) –Budgeted production of each Plant.
- (b) Township expenses (Net) – No. of quarters allotted to each Plant.
- (c) Interest - Actual cash utilization by each plant in the preceding year.
- (d) CISF expenses- No. of CISF personnel deployed in each Plant.

18. INVENTORY

Non moving items of stores are analysed from time to time. Materials found surplus on physical verification are either disposed off or reviewed to find out alternative uses for the same. Loss, if any, is accounted for when it is ascertained.

However non moving items for more than 3 years, the maximum provision, if required, is to be restricted to 90 % of value of inventory.



**HEAVY ENGINEERING CORPORATION LIMITED
(NOTES FORMING PART OF BALANCE SHEET)**

₹ in Lakh

As at 31.03.20

As at 31.03.19

NOTE NO. - 2

SHARE CAPITAL

Authorised Capital

1,00,00,000 (Previous Year 1,00,00,000)
Equity Shares of ₹ 1000/- each

100000.00

100000.00

Issued & Subscribed & Paid up Capital
60,60,788 (Previous Year 60,60,788) Equity Shares
of ₹ 1000/- each fully paid up,
Out of which 5496 (Previous Year 5496) Shares
allotted for consideration other than Cash

60607.88

60607.88

Net Balance

60607.88

60607.88

Details of Shares held by shareholders holding
more than 5% shares at the end of year :-
President of India (POI) alongwith nominees

No of Shares % of holding

No of Shares % of holding

6060788

100%

6060788

100%

Face Value Per Share (Rupees)

1000.00

1000.00

NOTE NO. - 3

RESERVE & SURPLUS

Capital Reserve

Opening Balance

9562.30

10136.63

Addition during the year

0.00

0.00

9562.30

10136.63

Deduction during the year
Surplus

574.33

8987.97

574.33

9562.30

Opening Balance

(69131.90)

(59764.87)

Addition during the year

(40536.89)

(109668.79)

-9367.03

(69131.90)

TOTAL

(100680.82)

(59569.60)

NOTE NO. - 4

LONG TERM BORROWINGS

Term Loan

From Govt. of India

Non Plan loan

0.00

0.00

TOTAL

0.00

0.00

NOTE NO. - 5

OTHER LONG TERM LIABILITIES

Securities & Other Deposits from Contractors

2.20

2.20

Securities & Other Deposits from Employees

0.00

0.05

(As per Contra Note-15)

Other Liabilities

35.47

599.55

Miscellaneous

0.00

243.98

TOTAL

37.67

845.78

NOTES FORMING PART OF BALANCE SHEET

₹ in Lakh

	As at 31.03.20	As at 31.03.19		
NOTE NO. - 6	LONG TERM PROVISIONS			
(a) Provision for Employee Benefits				
Provision for Gratuity	5952.21	5126.78		
Provision for Leave Encashment	2561.98	2215.00		
Provision for RTA	49.80	41.07		
Provision for LTA	39.95	37.03	7419.88	
(b) Others				
Provision for Impaired Assets	62.40	63.41		
Provision for Warranty Expenses	232.04	393.02	456.43	
TOTAL	8898.38	7876.31		
NOTE NO. - 7	SHORT TERM BORROWINGS			
Secured Loans				
Working Capital Loan from Bank (Secured by Hypothecation of raw materials, finished Goods, Work-in-Progress, Stores and Spare parts and Book Debts)	15209.33		6684.47	
TOTAL	15209.33		6684.47	
NOTE NO. - 8	TRADE PAYABLES			
Total Outstanding dues of Creditors other than Micro Enterprises and Small Enterprises	10231.17		11398.32	
Total Outstanding dues of Medium Enterprises	690.77		498.38	
TOTAL	10921.94		11896.70	
NOTE NO. - 9	OTHER CURRENT LIABILITIES			
Employees Liabilities *	9049.73		6228.55	
VRS Liabilities	1.88		1.88	
Loan from Govt. of India**	4789.00		4789.00	
Add: Interest Accrued but not due on Govt. Loan Government Grant [Unutilised]	4812.78	9601.78	3759.57	8548.57
Received from GOI for payment of Tax	18243.00		18243.00	
Less : Charged against Capital gain Tax(13-14)	9245.61		9245.61	
Less : Charged against Capital gain Tax(17-18)	6200.00		6200.00	
Less: Balance Advance Tax	2246.39		2246.39	
Add: Interest Income	2315.17	2866.17	2129.88	2680.88
Securities & Other Deposits from Contractors		3386.20		3111.12
Book Overdraft with Scheduled Bank		16.59		200.51
Amt. received from Govt. Grant		500.00		500.00
Grant-in-Aid received from DHI under SAP		0.00		55.00
Grant-in-Aid received from DHI under (Common Engineering Facility Centre)		130.00		130.00
Electricity Dues		8956.20		5683.08
Water Dues		4153.75		3820.71
Other liabilities		1567.51		1232.87
Advance from Customers		10120.43		3649.84
Miscellaneous		7257.51		6926.57
Interest on CISF dues		1875.26		0.00
TOTAL	59483.01		42769.58	
* It includes interest on Gratuity overdues Rs.404.66 Lakhs				
** Part of Govt. Loan matured for payment				
NOTE NO. - 10	SHORT TERM PROVISIONS			
(a) Provision for Employee Benefits				
Provision for Gratuity	615.76		1096.91	
Provision for Leave Encashment	844.08		949.07	
Provision for RTA	2.88		5.70	
Provision for LTA	117.40		178.39	
Provision for Revision of Pay Scale for Employees	124.89	1705.01	511.88	2741.95
(b) Others				
Provision for Warranty Expenses		54.78		136.73
TOTAL	1759.79		2878.68	

NOTES FORMING PART OF BALANCE SHEET

₹ in Lakh

NOTE NO. - 11
Property , Plant and Equipment

Type of Assets	Gross Block				Depreciation				Net Block	
	Cost as on 01.04.19	Addition/ Adjustment	(Deduction) /Adjustment	Cost as on 31.3.20	Upto 31.03.19	for the year	Addition/ (Deduction)	upto 31.03.20	As on 31.03.20	As on 31.03.19
1	2	3	4	5	6	7	8	9	10	11
Land (including Development of land)	219.82	0.00	0.00	219.82	0.00	0.00	0.00	0.00	219.82	219.82
Buildings	5881.16	0.00	42.25	5838.91	5271.91	46.62	0.28	5318.25	520.66	609.25
Roads	266.17	0.00	0.00	266.17	252.90	0.00	0.00	252.90	13.27	13.27
Plant and Machinery	27980.65	272.34	13.95	28239.04	23434.74	622.06	1.79	24055.01	4184.03	4545.91
Furniture and Fittings	159.32	2.65	0.00	161.97	109.68	5.66	0.00	115.34	46.63	49.64
Motor Vehicles	140.98	6.74	0.00	147.72	133.95	0.80	0.00	134.75	12.97	7.03
Railway Sidings	469.39	0.00	0.00	469.39	435.56	3.20	0.00	438.76	30.63	33.83
Office Equipments	218.88	10.43	0.00	229.31	168.36	10.23	0.00	178.59	50.72	50.52
Computers & Data Processing Units	569.54	12.94	0.68	581.80	493.54	24.43	0.52	517.45	64.35	76.00
Electrical Installations and Equipments	762.14	10.34	0.00	772.48	642.69	19.07	0.00	661.76	110.72	119.45
Pipelines and Sluices	605.55	0.00	0.00	605.55	558.31	2.16	0.00	560.47	45.08	47.24
SUB - TOTAL OTHER ASSETS (A)	37273.60	315.44	56.88	37532.16	31501.64	734.23	2.59	32233.28	5298.88	5771.96
ASSETS GIVEN ON LEASE										
Land (including Development of land)	22.32	0.00	0.00	22.32	0.00	0.00	0.00	0.00	22.32	22.32
Buildings	807.08	0.00	0.00	807.08	531.43	0.00	0.00	531.43	275.65	275.65
SUB-TOTAL OTHER ASSETS (B)	829.40	0.00	0.00	829.40	531.43	0.00	0.00	531.43	297.97	297.97
IMPAIRED ASSETS										
Plant & Machinery (As on 31.03.19)	1035.21	0.00	0.00	1035.21	971.82	0.00	0.00	971.82	63.39	63.39
Plant & Machinery (During 2019-20)	0.00	0.34	20.52	(20.18)	0.00	0.00	19.17	(19.17)	(1.01)	0.00
SUB - TOTAL IMPAIRED ASSETS (C)	1035.21	0.34	20.52	1015.03	971.82	0.00	19.17	952.65	62.38	63.39
GRAND - TOTAL TANGIBLE FIXED ASSETS (A+B+C)	39138.21	315.78	77.40	39376.59	33004.89	734.23	21.76	33717.36	5659.23	6133.33
PREVIOUS YEAR FIGURES	39025.26	235.25	122.32	39138.19	32369.24	744.32	108.70	33004.86	6133.33	

Current period depreciation 734.23

Total Depreciation 734.23

Provision for Impaired Assets (1.01)

Note: Status of Land	Acres
a) Land Transferred to GOJ	2035.14
b) Land Transferred to CISF	158.00
c) Land Transfer to GOJ for Smart City	647.08
d) Encroched Land	379.91
e) Land given on lease	313.31
f) Land for own use	3666.07
Total land as per original deed	7199.51

NOTES FORMING PART OF BALANCE SHEET

₹ in Lakh

	As at 31.03.20	As at 31.03.19
NOTE NO. - 12	Intangible Assets under development	
	TOTAL (A-B)	0.00
	0.00	0.00
NOTE NO. - 13	CAPITAL WORK IN PROGRESS	
Capital Work in Progress		
Plant & Machinery	2401.64	2467.31
Less: Provisions	782.45	782.45
	TOTAL	1619.19
	1619.19	1684.86
NOTE NO. - 14	NON-CURRENT INVESTMENTS	
Investments in Equity Instruments (Other than trade investment), Unquoted 3575 (Prev.Year 3575) Equity Share of ₹ 10/- each of Engineering (Projects) India Limited.	0.36	0.36
	TOTAL	0.36
	0.36	0.36

* The paid up value of equity share of Engineering (Projects) India Limited has been reduced from ₹ 38.95/- to ₹ 10/- due to restructuring as confirmed by Engineering Project (India) Ltd vide order No. DLI/SEC/AGM/003/40 Dated 22.03.2011.

** As per Financial status as on 31.03.2019, the value of share is ₹ 1.99.Lakhs

NOTES FORMING PART OF BALANCE SHEET

₹ in Lakh

	As at 31.03.20			As at 31.03.19		
NOTE NO. - 15	LONG TERM LOANS & ADVANCES					
(a) Loans & Advances						
[Advances & other amounts recoverable in cash or in kind or for value to be received (including cost of materials supplied to the contractors, outside parties and/ or pending adjustment)]	Gross Amount	Provision	Net Amount	Gross Amount	Provision	Net Amount
Doubtful	643.78	643.78	0.00	659.14	659.14	0.00
(b) Deposits With						
Private Parties	0.90	0.35	0.55	0.90	0.20	0.70
Government Authorities	155.56	146.60	8.96	155.56	146.60	8.96
Employees (As per contra in Note -5)	0.00	0.00	0.00	0.05	0.00	0.05
(c) Security Deposit	44.95	44.95	0.00	41.25	41.25	0.00
(d) Others						
Advances to Employees	15.25	15.25	0.00	24.26	24.26	0.00
Claims Receivable	4666.34	4666.25	0.09	180.54	176.84	3.70
Income Tax deducted at source	7.40	7.40	0.00	7.40	7.40	0.00
Total	5534.18	5524.58	9.60	1069.10	1055.69	13.41
 <u>Particulars of Long Term Loans & Advances</u>						
Secured, Considered Good			0.00			0.05
Unsecured ,Considered Good			9.60			13.36
Doubtful			<u>5524.58</u>			<u>1055.69</u>
Total			<u>5534.18</u>			<u>1069.10</u>
 NOTE NO. - 16						
OTHER NON-CURRENT ASSETS						
Long Term Trade Receivables						
(A) Public Sector & Govt. Deptt.						
Un Secured, Considered Good		12461.35			15220.22	
Doubtful		<u>23741.81</u>			<u>12766.91</u>	
TOTAL (A)		<u>36203.16</u>			<u>27987.13</u>	
(B) Others						
Un Secured, Considered Good		137.11			153.82	
Doubtful		<u>660.88</u>			<u>623.75</u>	
TOTAL (B)		<u>797.99</u>			<u>777.57</u>	
SUB TOTAL (A+B)		<u>37001.15</u>			<u>28764.70</u>	
Less: Provision for Doubtful debts		18921.70			11089.60	
Provision against LD deducted & charged		<u>5480.99</u>	12598.46		<u>2301.06</u>	15374.04
GRAND TOTAL			<u>12598.46</u>			<u>15374.04</u>

Notes:

- 1: Long Term Trade Receivables also include not due ₹ 9802.39 Lakh (Previous Year ₹ 13983.89L) relating to equipments and Spares already supplied but realization there of is subject to compliance of certain contractual obligations.

NOTES FORMING PART OF BALANCE SHEET

₹ in Lakh

	As at 31.03.20		As at 31.03.19	
NOTE NO. - 17	INVENTORIES			
(As certified by the Management)				
Raw Materials & Components	6922.70		6150.75	
Less: Provision / Stock Adjustment	2757.68	4165.02	2915.31	3235.44
Stores, Spares & Components including Construction Materials	1544.60		1021.71	
Less: Provision / Stock Adjustment	331.62	1212.98	248.90	772.81
Goods-in-Transit/ Under inspection	553.83		625.59	
Less: Provision	248.90	304.93	271.97	353.62
Loose Tools, Drawing Instruments etc.	1098.34		1083.75	
Less: Provision	55.85	1042.49	70.39	1013.36
Stock of Finished Products	821.99		389.62	
Less: Provision	25.50	796.49	25.50	364.12
Work-In-Progress	4336.17		2914.50	
Less: Provision	106.72	4229.45	96.86	2817.64
Discarded Assets	0.00		3.48	
Less: Provision	0.00	0.00	3.48	0.00
Total Inventory	15277.63		12189.40	
Less: Provision / Stock Adjustment	3526.27		3632.41	
TOTAL		11751.36		8556.99

Notes:

- 1: Finished Stock & WIP includes items worth ₹ 130.43 Lakh (Previous Year ₹ 115.68 L) against closed, cancelled & old work orders which has been valued at scrap rates.
- 2: Non-Moving Raw Materials and Stores & Spares for more than 3 yrs are ₹ 3386.22 Lakh (Previous Year ₹ 3415.24 L). The existing provision is considered adequate.
- 3: Raw Materials & Components including scrap at shop floor ₹ 159.87 Lakh (Previous Year ₹ 459.65 L)

NOTE NO. - 18**TRADE RECEIVABLES**

	Over Six Months	Other Debts	Total	Over Six Months	Other Debts	Total
Short Term Trade Receivables						
(A) Public Sector & Govt. Deptt.						
Un Secured, Considered Good	3133.71	3795.76	6929.47	7208.66	16344.05	23552.71
Doubtful	1893.17	80.87	1974.04	7048.76	139.79	7188.55
SUB TOTAL (A)	5026.88	3876.63	8903.51	14257.42	16483.84	30741.26
(B) Others						
Un Secured, Considered Good	0.00	0.00	0.00	0.00	0.00	0.00
Doubtful	0.00	0.00	0.00	0.00	0.00	0.00
SUB TOTAL (B)	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL (A+B)			8903.51			30741.26
Less: Provision for Doubtful debts			846.11			3081.74
Less: Provision against LD deducted & charged			1127.93			4190.52
NET TOTAL			6929.47			23469.00

Notes:

- 1: Short Term Trade Receivables also include not due ₹ 104.25 Lakh (Previous Year ₹ 95.72 L) relating to equipments and Spares already supplied but realization there of is subject to compliance of certain contractual obligations.

NOTES FORMING PART OF BALANCE SHEET

₹ in Lakh

	As at 31.03.20	As at 31.03.19
NOTE NO. - 19	CASH & CASH EQUIVALENTS	
(a) Balance with Schedule Bank Current Account	1368.47	2955.86
(c) Cash in hand	2.17	1.90
Less : Provision *	<u>0.28</u>	<u>0.00</u>
(d) Others	1370.36	2957.76
(Earmarked balances with Banks)		
Short Term Deposit with Schedule Bank **	2909.12	3323.92
Short Term Deposit with Other Bank ***	<u>0.00</u>	<u>221.36</u>
TOTAL	<u>4279.48</u>	<u>6503.04</u>
* Mutilated notes and coins not in circulation		
** (It includes unutilised Govt. Grant kept aside for payment of Capital Gain Tax Rs. 2866.17)		
*** Term deposit as per Court Order with original maturity of more than three months		
NOTE NO. - 20	SHORT TERM LOANS & ADVANCES	
(a) Loans and Advances		
Un Secured, Considered Good	355.74	988.44
(b) Deposits with		
Private Parties	41.10	5.64
Government Authorities	694.12	920.90
(c) Security Deposit	894.05	837.41
(d) Others		
Advance to Employees	84.46	44.25
Prepaid Expenses	148.34	60.10
Claims Receivable	3030.60	1905.46
Income Tax deducted at source	<u>1280.40</u>	<u>865.41</u>
SUB TOTAL	<u>6528.81</u>	<u>5627.61</u>
Less: Provision for bad & doubtful Advances	59.11	53.05
TOTAL	<u>6469.70</u>	<u>5574.56</u>
Particulars of Short Term Loans & Advances		
Secured, Considered Good	6113.96	4586.12
Unsecured, Considered Good	355.74	988.44
Doubtful	59.11	53.05
Total	<u>6528.81</u>	<u>5627.61</u>
NOTE NO. - 21	OTHER CURRENT ASSETS	
Rent and Other Receivables		
(A) Public Sector & Govt. Deptt.		
Unsecured Considered Good (GOJ)	4236.00	4236.00
Un Secured, Considered Good	2936.68	2962.45
Doubtful	<u>372.06</u>	<u>464.33</u>
(B) Rent		
Unsecured, Considered Good	540.63	627.68
Doubtful	<u>832.58</u>	<u>197.92</u>
(C) Interest Accrued but not Due	0.00	0.55
Total (A + B+C)	<u>8917.95</u>	<u>8488.93</u>
Less: Provision for Doubtful Receivables	1204.64	662.25
Net Amount	<u>7713.31</u>	<u>7826.68</u>

NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS

₹ in Lakh

	2019-20		2018-19
NOTE NO. - 22	REVENUE FROM OPERATION		
Sales & Services			
Sale of Products	12656.50		35049.89
Sale of Services	<u>611.62</u>	13268.12	<u>571.23</u> 35621.12
Other Operating Revenue			
Job Done for Internal Use		<u>707.06</u>	<u>763.13</u>
TOTAL	<u>13975.18</u>		<u>36384.25</u>
NOTE NO. - 23	OTHER INCOME		
Interest	66.08		68.23
Rent	1444.01		1634.67
Sale of Stores	26.17		63.37
Miscellaneous Income	171.84		927.29
Receipt from HTI	36.18		30.28
Profit on Sale of Asset	29.54		102.10
Excess provision written back	1012.70		513.57
Water & Electricity Charges	<u>323.79</u>		<u>261.05</u>
TOTAL	<u>3110.31</u>		<u>3600.56</u>
NOTE NO. - 24	COST OF MATERIALS CONSUMED		
Consumption of Raw materials & Components	8511.05		12973.12
Less: Interplant Transfer	<u>2577.70</u>	5933.35	<u>3483.55</u> 9489.57
Consumption of Stores & Spares	5825.81		8390.03
Less: Interplant Transfer	<u>96.25</u>	5729.56	<u>114.10</u> 8275.93
SUB TOTAL(A)	<u>11662.91</u>		<u>17765.50</u>
NOTE NO. - 25	CHANGES IN INVENTORIES OF FG & WIP		
Decretion/(Accretion) to value of FG & WIP			
Work-In-Progress			
Opening Stock	2914.50		3319.02
Closing Stock	<u>4336.17</u>	(1421.67)	<u>2914.50</u> 404.52
Finished Stock			
Opening Stock	389.62		2347.85
Closing Stock	<u>821.99</u>	(432.37)	<u>389.62</u> 1958.23
Total	<u>(1854.04)</u>		<u>2362.75</u>

(NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS)

₹ in Lakh

	2019-20	2018-19
NOTE NO. - 26	EMPLOYEES BENEFIT EXPENSES	
Salaries, Wages & Bonus	8862.05	9499.21
Corporation Contribution to Provident Fund and Employee's Pension Fund	971.15	1001.90
Workmen and Staff Welfare Expenses	872.36	569.15
Leave Encashment	1081.12	1458.34
Gratuity *	1831.57	884.98
SUB TOTAL	13618.25	13413.58
Less : Transferred to Research & Development Exp.	79.06	92.12
TOTAL	13539.19	13321.46
* It includes interest on Gratuity overdues Rs.404.66 Lakhs		
NOTE NO. - 27	FINANCE COST	
Interest on Bank Credit	1370.68	1454.96
Interest on Govt. loan	1053.21	997.76
Interest on Other loan	0.00	319.73
TOTAL	2423.89	2772.45
NOTE NO. - 28	DEPRECIATION & AMORTIZATION EXPENSES	
Depreciation as per Note No.-11	734.23	746.61
<u>Depletion Expenses</u>		
Impairment Loss as per Note No.-11	(1.01)	(5.70)
TOTAL	733.22	740.91
NOTE NO. - 29	RESEARCH & DEVELOPMENT EXPENSES	
Research & Development Expenses		
Salary & Allowances	79.06	92.12
TOTAL	79.06	92.12

(NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS)

₹ in Lakh

	2019-20	2018-19
NOTE NO. - 30		
(A) Manufacturing Service Cost		
Water, Power & Fuel	3950.33	3610.79
Repairs & Maintenance		
Plant & Machinery	249.27	285.31
Buildings	63.12	82.54
Others	105.71	142.84
Insurance	213.50	154.80
SUB TOTAL (A)	4581.93	4276.28
(B) Manufacturing & Other Operating Expenses		
Machining & Assembly charges	475.63	761.59
Loose Tools Charged off	794.63	670.75
Job Done by outside Agencies	4522.98	4230.45
Turnkey Project Expenses	2054.51	3747.99
Other Charges For Production	1019.69	8867.44
Less: Interplant Transfer (Services)	535.51	1337.01
SUB TOTAL (B)	8331.93	10029.75
(C) Administration, Selling & Distribution Expenses		
Rent	30.88	31.86
Electricity & Drinking Water Expenses	1037.02	827.92
Safety & Security Expenses	2289.74	2105.49
Interest on CISF DUES	563.53	0.00
Travelling & Conveyance Expenses	176.49	253.83
Bank Charges	387.22	236.47
Telephone & Postage Expenses	34.90	40.32
Printing & Stationery Expenses	35.08	42.07
Books & Periodicals	2.49	3.77
Miscellaneous Expenses	418.20	513.93
CEFC Expenditure	0.00	498.00
Demand settled under SVLDRS Government Scheme	95.23	0.00
Motor Vehicle Running Expenses	206.55	244.25
Consultancy and Legal Expenses	236.79	212.19
Municipal Tax/Charges	8.00	8.00
LD Deducted and Charged	338.47	1416.63
Selling & Distribution Expenses	137.11	247.81
Auditor's Remuneration		
Statutory Audit Fees	2.25	2.25
Tax Audit Fees	0.38	0.38
Internal Audit Fees	1.90	1.90
Reimbursement Expenses	0.13	0.40
Training Expenses	4.07	3.84
SUB TOTAL (C)	6006.43	6691.31
(D) Other Provisions / Expenses Written Off		
Provision for Bad & Doubtful Debts	6194.04	6619.55
Provision for Bad & Doubtful Advances	0.00	123.66
Provision for Warranty Expenses	66.25	178.11
Provision for Foreign Exchange difference	91.88	27.09
Provision for Receivable	4488.38	0.00
Provision for inventory / stock adjustment	134.51	422.16
Miscellaneous Provisions	14.92	56.72
Miscellaneous Losses Written Off	138.36	0.00
SUB TOTAL (D)	11128.34	7427.29
GRAND TOTAL (A+B+C+D)	30048.63	28424.63

(NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS)

			₹ in Lakh	
	2019-20		2018-19	
NOTE NO. - 31			PRIOR PERIOD ADJUSTMENT	
Income				
Sales (including services)	(2.73)		0.00	
Inter Plant Transfers	0.00		(66.48)	
Misc Income	<u>(0.56)</u>	(3.29)	<u>0.00</u>	(66.48)
Less : Expenses				
Raw Materials Consumed	0.00		50.44	
Payment to & Provision for Employees	(357.77)		12.49	
Interest on CISF dues	1311.73		0.00	
Depreciation	0.00		(2.29)	
Misc. expenses(net)	<u>32.27</u>	<u>986.23</u>	<u>1.95</u>	<u>62.59</u>
Prior Period Adjustment (Net)		<u>(989.52)</u>		<u>(129.07)</u>
NOTE NO. - 32			EXTRAORDINARY ITEMS	
Income				
Sale consideration against transfer of Land		0.00		16264.60
Less : Expenses				
Cost of land transferred to GOJ		<u>0.00</u>		<u>7.55</u>
Net		<u>0.00</u>		<u>16257.05</u>

NOTE NO 33 – “OTHER NOTES TO FINANCIAL STATEMENT”

33.1 Contingent Liabilities and commitments (To the extent not provided):

₹ in Lakh

SI No	Particulars	2019-20	2018-19																												
1	Estimated amount of contracts, remaining to be executed on capital account and not provided for	15089.37	14330.44																												
2	Unexpired Letter of Credit	709.56	392.36																												
3	Unexpired Bank Guarantee	14470.50	17453.26																												
4	Holding Tax	934.12	615.34																												
5	Water Dues	1094.42	1094.42																												
6	<p>Damages towards PF dues</p> <p>(a) The prayer of HEC Limited to the chairman of central board of Trustees. Employees Provident Fund Organization, for waiver of damages amounting to ₹9501.54 lakh for the period from 03/76 to 09/99 levied by Regional Provident commissioner, Ranchi, has been rejected vide letter dated 12.11.2010. Company has again filed Civil Miscellaneous Petition (CMP) in company Petitions CMP 476 of 2010 before Hon'ble High Court of Jharkhand. Hon'able High Court of Jharkhand by order dt 14.10.2019 dismissed the petition no CMP 476 of 2010. Office of EPFO vide Letter No. JH/RQ/RNC/Recovery/1465/2019/ dt 23.12.2019 attached the bank account of HEC Ltd. A WP(C) No 62 of 2020 has been filed on 09.01.2020 before the Hon'able High Court against the orders of recovery officer, EPFO bearing no JH/RO/RNC/RECOVERY/1465/2019/1397/34379 & JH/RO/RNC/RECOVERY/1465/2019/1398/34380 dt 23.12.2019 issued to State Bank of India and Canara Bank. Hon'able High Court of Jharkhand in order dt 18.01.2020 has directed to stay the prohibitory/attachment order dt 23.12.2019 against the petitioner M/s HEC Ltd till the next fixed.</p> <p>(b) The above amount is exclusive of the payment of damages on defaulted CPF/EPF dues for the period from October' 99 to March 2005 as no notice for payment of the same has been received from Regional Provident Commissioner, Ranchi.</p>	9501.54	9501.54																												
7	<p>Legal Cases :- claim lodged against HEC not acknowledged as Debt.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Cases</th> <th style="text-align: right;">Amount</th> </tr> </thead> <tbody> <tr> <td>(A) Enhance Land acquisition compensation case 15/98</td> <td style="text-align: right;">1071.15</td> </tr> <tr> <td>157.42 acres of land belonging to Ranchi Gaushala was acquired by the then Govt. of Bihar in the year fifties @ compensation of ₹ 3500/- per acre for public purpose for establishment of HEC and its ancillary and allied purposes. Compensation paid and possession was handed over to HEC. Later on in 1971 being LA Case No. 22/1971 was filed by the Ranchi Gaushala for enhancement for compensation which was enhanced by judgement dated 12.01.1998 and award dated 19.01.1998. The LD court published the award enhancing compensation @ ₹20000/- per acre in addition to priltium @ 30% and interest @ 9% p.a. for one year (17.10.1958 to 16.10.1959) and 15% p.a. from 17.10.1959 till realization of amount. Thus after adjustment of compensation of ₹ 4.68 Lakh already paid, the amount of compensation to be paid to Ranchi Gaushala arrived at ₹247.22 Lakh as on 31.12.1997 inclusive of priltium and interest. Being aggrieved by the award, M/s HEC Ltd. filed an appeal in the Hon'able High Court being FA No. 43/98 for setting aside the award and Ranchi Gaushala has filed case no. Ex. 15/1998 for implementation of the award in the Civil Court, Ranchi. Both cases are pending in the respective Court.</td> <td></td> </tr> <tr> <td>(B) Arbitration:</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Rama Ferro Alloys and Finance Private Ltd.</td> <td style="text-align: right;">695.67</td> </tr> <tr> <td style="padding-left: 20px;">S. Banerjee</td> <td style="text-align: right;">246.64</td> </tr> <tr> <td style="padding-left: 20px;">Others (No. of cases – 5)</td> <td style="text-align: right;">55.57</td> </tr> <tr> <td></td> <td style="text-align: right;">997.88</td> </tr> <tr> <td>(C) MSMED (No. of cases- 9)</td> <td style="text-align: right;">713.06</td> </tr> <tr> <td>(D) Other Legal cases</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Rampur Engineering Co Ltd.</td> <td style="text-align: right;">12500.00</td> </tr> <tr> <td style="padding-left: 20px;">Adarsh Co-operative</td> <td style="text-align: right;">1271.81</td> </tr> <tr> <td style="padding-left: 20px;">Others (No. of cases-15)</td> <td style="text-align: right;">2177.04</td> </tr> <tr> <td></td> <td style="text-align: right;">15948.85</td> </tr> </tbody> </table>	Cases	Amount	(A) Enhance Land acquisition compensation case 15/98	1071.15	157.42 acres of land belonging to Ranchi Gaushala was acquired by the then Govt. of Bihar in the year fifties @ compensation of ₹ 3500/- per acre for public purpose for establishment of HEC and its ancillary and allied purposes. Compensation paid and possession was handed over to HEC. Later on in 1971 being LA Case No. 22/1971 was filed by the Ranchi Gaushala for enhancement for compensation which was enhanced by judgement dated 12.01.1998 and award dated 19.01.1998. The LD court published the award enhancing compensation @ ₹20000/- per acre in addition to priltium @ 30% and interest @ 9% p.a. for one year (17.10.1958 to 16.10.1959) and 15% p.a. from 17.10.1959 till realization of amount. Thus after adjustment of compensation of ₹ 4.68 Lakh already paid, the amount of compensation to be paid to Ranchi Gaushala arrived at ₹247.22 Lakh as on 31.12.1997 inclusive of priltium and interest. Being aggrieved by the award, M/s HEC Ltd. filed an appeal in the Hon'able High Court being FA No. 43/98 for setting aside the award and Ranchi Gaushala has filed case no. Ex. 15/1998 for implementation of the award in the Civil Court, Ranchi. Both cases are pending in the respective Court.		(B) Arbitration:		Rama Ferro Alloys and Finance Private Ltd.	695.67	S. Banerjee	246.64	Others (No. of cases – 5)	55.57		997.88	(C) MSMED (No. of cases- 9)	713.06	(D) Other Legal cases		Rampur Engineering Co Ltd.	12500.00	Adarsh Co-operative	1271.81	Others (No. of cases-15)	2177.04		15948.85	18730.94	3691.64
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8	Commercial Taxes (VAT & CST): Demand as per Assessment Order, Appeal pending at Commissioner, Ranchi.			2812.78	2439.43	
	Year	VAT Amount	CST Amount			Total Amount
	2008-09	10.78	10.35			21.13
	2009-10	19.63	57.76			77.39
	2010-11	92.41	137.18			229.59
	2011-12	95.66	892.60			988.26
	2012-13	25.80	17.44			43.24
	2013-14	373.97	0.00			373.97
	2014-15	896.41	0.00			896.41
	2015-16	124.91	57.88			182.79
	Total	1639.57	1173.21			2812.78
9	Service Tax:			2372.08	1761.09	
	1. Demand of service Tax for NCL Nigahi (Project Division) for the period October 2006 to March 2007 (Order No. 43/ST/Commr./2013 dt.28.03.2013,Appeal pending at CESTAT, Kolkata	926.94				
	2. Demand of service Tax for NCL Nigahi (Project Division) for the period October 2007 to March 2010 (Order No. 59/ST/Commr./2016 dt.13.04.2016) Appeal pending at CESTAT, Kolkata	1224.09				
	3. Demand of service Tax on value of service portion of a contract for supply of Shovel.(Order No.V(65)34/HEC/Adjn/Ran-1/2015/8304 dt 23.09.2015). Appeal pending at Comm Appeal, Ranchi	221.05				
10	Excise Duty:			3540.54	1180.18	
	1. Demand of Excise Duty for Non Reversal of Cenvat Credit availed by us on inputs and capital goods for which certain provision has been made in our Financial statement for the period 2010-11 to 2014-15. (Order No. 05/Central Excise/Commr/2017 dt 24.03.2017). Appeal pending at CESTAT, Kolkata	3540.54				
Total				69255.85	52459.70	

33.2 Revival Packages

- (i) The accounts of the company have been prepared based on "going concern – basis". Due to prolonged suffering of losses coupled with huge negative net worth, the company was declared sick and was referred to BIFR on 24.2.1992. BIFR sanctioned a rehabilitation package on 26.8.96 and the same was approved by Govt. of India on 7.2.1997. Subsequently BIFR declared that the scheme had failed and ordered for winding up of the company on 6.7.2004.
- (ii) Against the aforesaid winding up order, the company filed a writ petition No. 4513/04 on 18.8.04 before the Hon'able High Court of Jharkhand for quashing/staying the winding up order. Hon'able High Court of Jharkhand gave opportunity to Govt. of India, Govt. of Jharkhand and HEC to submit proposals for revival of HEC through affidavits before the Hon'able Court. Thereafter a number of hearings were held between 9.9.2004 to 13.11.2009 and ultimately Hon'able High Court of Jharkhand vide order dated 13.11.2009 gave direction to the Govt. of India, Govt. of Jharkhand and the HEC Ltd. and other concerned parties to act in terms of Revival package approved by Hon'able Court and dropped the winding up proceeding being CP No. 5 of 2004 with WP(c) No. 4513 of 2004 with hope and wish that past will not be repeated and HEC, the Nations pride and mother of Industries would fulfill its object of serving the nation. During the pendency of this proceeding before Hon'able High Court of Jharkhand the following Revival Packages had been approved by Govt. of India and Govt. of Jharkhand. The details of such proposals and present status of implementation are as follows:-

A. Status of Revival package approved by Govt. of India

(Recommended by BRPSE on 7.10.2005 and approved by Govt. of India on 15.12.2005)

Assistance approved by Govt. of India		Status of Implementation
a)	Conversion of plan loan of ₹1527.49 Lakh as on 31.3.2005 in to equity.	Implemented in March, 2006
b)	Waiver of non-plan loan and interest on plan and non-plan loan as on 31.3.2005 of ₹110101.96 Lakh.	Implemented in March, 2006
c)	To provide ₹10200.00 Lakhs, in the form of Non Plan loan of ₹ 9203.00 Lakh, plan loan of ₹ 498.50 Lakh which will be repaid by the company in three years and also ₹ 498.50 Lakh as equity. (Sl.No. a,b,c was approved by Hon'able High Court of Jharkhand on 13.7.2006)	Implemented in March, 2006
d)	To mobilize resources (approx. ₹33000.00 Lakh) by transferring residential and non-residential buildings already on rent with the state government to the Jharkhand Government, settlement of residences on long term lease with the occupant employees and ex-employees of the company, settlement of commercial and institutional areas and privatization of schools and hospital.	Company generated ₹8543.82 Lakh from long term lease of residential quarter

B. Revival Scheme approved by Govt. of India in September – 2008

a)	Conversion of Plan Loan (₹582.50 Lakh) and Non Plan Loan (₹10221.00 Lakh) into Equity.	Implemented in March, 2009
b)	Conversion of outstanding interest on plan and non-plan loan received during 2005-06 & 2006-07 of ₹4480.54 Lakh up to 18.9.2008 into Equity	Implemented in March, 2009
c)	Enhancing the Govt. guarantee from ₹15000.00 Lakh to ₹25300.00 Lakh for meeting working capital.	Implemented in March, 2009
d)	To settle the liability of ₹7906.00 Lakh of CISF by transferring commensurate amount of land of the company to the CISF.	158 acres of land has been transferred to CISF in March, 2009 for liquidation of dues of ₹ 7906.00 Lakh. In addition, Waiver of the interest and penal interest on CISF dues amounting to ₹3790.62 Lakh and freezing of interest and penal interest amount after 31-7-2008 was approved by Govt. of India in Sept-08 and implemented.

C. Status of Revival Package : Agreed to amongst DHI, GOI, Govt. of Jharkhand and HEC Ltd.

Revival Package approved by					
	Cabinet committee of economic affairs	As per Affidavit filed by Govt. of Jharkhand and approval of Hon'ble High Court of Jharkhand.	Amount to be Waived / Adjusted / Received	Amount Waived / Adjusted / Received	Balance Amount to be Waived / Adjusted / Received
1	Not specifically mentioned as to the waiver of electricity dues. But Jharkhand Govt's proposal for waiver of ₹50000.00 lakh against electricity dues was approved.	Waiver of electricity dues of ₹30637.42 lakh and delayed payment surcharge up to the date of Final settlement by JSEB after approval of Hon'able High Court of Jharkhand.	₹96984.68 lakh total amount to be waived / Adjusted.	Waived ₹85342.46 lakh (Electricity dues of ₹30637.42 lakh and DPS of ₹54705.04 lakh up to 31.08.2008)	₹11642.22 lakh against DPS from 01.09.2008 to 31.03.2010 yet to be waived.
2	Waiver of PHED dues of ₹3103.00 lakh	Waiver of PHED dues ₹3264.80 lakh as on 31.03.2007.	₹3264.80 lakh (Waiver)	₹3264.80 lakh (Waived)	NIL

3	Waiver of Sales Tax dues of ₹2551.00 lakh	The GOJ agreed that payment of ₹2551.00 lakh by HEC will be treated as full and final settlement of all commercial Tax liability up to 31.03.2007 including penalty / penal interest for delayed payment etc. to which the assessment of CT liability pertains to. Any liability separate from it and discovered subsequently will be treated as per relevant law/ guidelines.	1) ₹2551.00 lakh to be paid by GOJ	1) ₹2551.00 lakh received.	1) NIL
			2) The company is to deposit ₹2551.00 lakh with GOJ	2) ₹2551.00 lakh deposited by HEC towards Commercial Taxes.	2) NIL
			3) Order of waiver all Commercial tax liability up to 31.03.2007 is to be issued by GOJ.	3) Order not issued	3) Order for waiver of all dues up to 31.03.07 by Govt. of Jharkhand is still awaited.
4	To authorize HEC to receive ₹25000.00 lakh from Govt. of Jharkhand with no future commitment for transfer of any more land or building.	Grant of ₹27551.00 lakh including ₹2551.00 lakh mentioned in Sl.No. '3' above.	₹27551.00 lakh	Received ₹20021.00 lakh . Adjusted ₹2633.00 lakh against PMAY-U.	₹4897.00 lakh
5	To allow HEC to accept the proposal of Govt. of Jharkhand to transfer 2342 acres of land. This includes 85 acres of appurtenant land to the building.	HEC to surrender 2342 acres of land to Govt. of Jharkhand.	Possession of 2035.14 acres of land had been handed over to GOJ for which Deed of Conveyance is executed. Balance 306.86 acres of land is to be handed over after removal of encroachment. As per letter no 7- 05/02/2019-PE-5, MHI & PE DHI dt 21.10.2019 and as per the provision of the Pradhan Mantri Awas Yojana- Urban (PMAY-U), the Govt of Jharkhand will not be required to pay any money for 107.28 acres of land – out of the said 306.86 acres as the same will be utilized by the Govt for affordable housing project(s) under the PMAY-U for eligible slum dwellers. The remaining 199.58 acre will be used by the Govt of Jharkhand for urban development schemes other than PMAY – U for which it will be required to pay a proportionate amount of money.		
6	To allow HEC to accept transfer of 17 buildings and 1155 residential quarters along with land appurtenant there to valuing ₹ 14223.00 lakh to GOJ.	HEC to surrender 17 nos. Non residential Building and 1148 residential quarters to Govt. of Jharkhand.	17 Nos. of Non Residential Buildings, 1148 Nos. of Residential Buildings and 85.11 acres of appurtenant land were already under possession of GOJ on rent up to 31.03.2009 and had been handed over to Government of Jharkhand. Registration of Buildings are yet to be executed.		

33.3 The Government of India has approved monetization and transfer of 675.43 Acres unused land of the Company to Government of Jharkhand at the consideration of ₹74298.00 Lakh on 12.04.2017. Out of 675.43 Acres, 508.44 Acres of land is transferred to Government of Jharkhand vide Deed of Conveyance dated 23.05.2018 for ₹ 55928.40 Lakh and 147.86 Acres of land vide Deed of Conveyance dated 17.01.2019 for ₹16264.60 Lakh. Out of ₹ 72193.00 Lakh, ₹67957.00 Lakh received till 31.03.2020. and balance amount of ₹4236.00 Lakh shown as receivable from Government of Jharkhand in Note – 21.

Govt. of India has also granted the permission for utilization of unspent grant sanctioned earlier to meet the capital gain tax liability arising due to transfer of land to Govt. of Jharkhand. DHI has permitted to utilize the balance of amount received from GOJ towards working capital.

33.4 A Grant-in-aid of ₹500.00 Lakh (Previous year ₹500.00 Lakh) received till 31.03.2020 from DHI for the project on development of 5 Cubic Meter Hydraulic Excavator - HEX-400 and incurred ₹573.06 Lakhs till 31.03.2020. The incurred



amount is shown as WIP and the Grant is shown as current liability under Note – 9 and to be adjusted after completion of the Project.

- 33.5 A Grant of ₹55.00 Lakh received from DHI in the year 2017-18 for Swacchtha Abhiyan is shown as current liability under Note-9 and the amount incurred ₹61.74 Lakh till 31.03.2020 is converted into assets in the F.Y 2019-20 and shown as assets ₹ 6.74 Lakh after adjusting grant.
- 33.6 DHI approved the scheme on enhancement of competitiveness in the Indian Capital Goods Sector for setting up of common Engineering Facility Centre, a training institute in HEC Ltd Ranchi at a cost of ₹5000.00 lakh. Out of ₹5000.00 lakh, Govt grant will be limited to ₹3000.00 lakh and HEC contribution will be ₹ 2000.00 lakh.
- A MOU was signed between CEFC Pratham Foundation and DHI in December 2016 for setting up of Common Engineering Facility Centre to provide training, skill development, consultation etc. in the area of electro slag re-melting, steel making, welding, non-destructive training, manufacture of gears.
- An agreement between the HEC and CEFC Pratham Foundation was signed on 24/12/2016, HEC as a supervising company and CEFC pratham as an implementing company.
- Up to 31.03.2020 Govt has given total grant of ₹1675 lakh under the scheme and the HEC contributed ₹737.89 lakh (F.Y. 18-19 ₹498.00 lakh, F.Y 2017-18 ₹128.14 lakh, F.Y. 2016-17 ₹ 111.75 Lakh) and shown as expenditure in the HEC account.
- Further vide Letter no. F.No. 12/26/2015-HE & MT dt. 11.01.2019, it has been decided by DHI that necessary action is to be taken for the winding up the CEFC Pratham Foundation after transferring the available funds and other assets and liabilities to HEC. Action for transferring the assets and liabilities after completion of audit by CEFC Pratham to HEC is in progress, hence assets and liabilities are not considered in the accounts. However, in F.Y. 2019-20, ₹190.00 Lakhs is received from CEFC Pratham in Escrow A/c. Amount lying in the ESCROW account for CEFC amounting ₹455.81 lakh is accounted as a liability in note no 9 "other current liabilities".
- 33.7 Provision has been made for trade receivable pending for a period of more than 20 years to the tune of ₹500.72 Lakh from M/S NCL as the original award was passed by sole arbitrator appointed by Secretary, Deptt. of Public Enterprises in the favor of HEC. The award was confirmed by additional Secretary, Deptt. of Law and Justice and Company Affairs, Government of India. Further, NCL filed an appeal in Hon'able High Court, New Delhi, but the same was rejected. On the appeal of NCL, Hon'able Supreme Court of India has appointed sole arbitrator on 13th July 2016. A meeting was held by both the parties along with sole arbitrator on 14.05.2019. After mutual agreement between HEC & NCL ₹957.31 Lakhs received in 2020-21. The balance ₹ 500.72 Lakh is shown as receivable on production of valid documents to M/s NCL as per agreement. However Provision of ₹500.72 Lakh has been made in F.Y. 2019-20.
- 33.8 Govt. of India has granted a Non-Plan loan of ₹4789.00 Lakh to discharge gratuity liability in the financial year 2014-15 and repayable in five yearly installment beginning from 2015-16. Due to financial crisis, the company is not able to pay the installment and interest due in time. A sum of ₹9601.78 Lakhs including interest / penal interest is outstanding as on 31.03.2020.
- 33.9 Out of ₹16357.06 Lakh received against long term lease from 1995-96 onwards, a sum of ₹574.33 Lakh (Previous Year ₹574.33 lakh) is amortized and considered as income during this year in proportion to the period of lease and adjust with Capital Reserve Note-3.
- 33.10 Inter plant transfer of ₹3209.46 Lakh (previous year ₹4315.69 Lakh) has been excluded from total Revenue from operation of the Company.
- 33.11 The Sales effected on or before 31.03.2020 and received at Customer premises latest by 26.04.2020 has been considered as revenue from operation.
- 33.12 In absence of any instructions pertaining to Pay Revision w.e.f 01.01.2017 from DHI, no provision has been made in the accounts.
- 33.13 Due to financial crisis, company is not in position to disburse the gratuity liability amounting to ₹ 2905.06 Lakh on scheduled time and provision for interest on delay has been made.
- 33.14 (a) Revenue from operation includes ₹2312.34 Lakh in respect of turnkey contract executed by Project Division (previous year ₹8275.22 Lakh) valued on the basis of approved billing schedule and payment terms of the contract to the extent of works completed, inspected, dispatched / on delivery to the carrier and billed.

The disclosures relating to Construction Contracts entered on or after 01.04.2003 as per the requirement of Accounting Standard AS-7(Revised) are as follows:

₹ in Lakh

	2019-20	2018-19
Contract revenue recognized during the year	2312.34	8275.22
In respect of Contract in progress as on 31.03.2020:		
- Cost incurred and recognized profits (less recognized losses)	138344.68	134875.33
- Amount of advance received	132565.01	131768.32
- Amount of retentions (deferred debts)	0.00	0.00
In respect of dues from customers after appropriate netting off :		
- Gross amount due from customers for the contract work as an asset	5779.67	3107.01
- Gross amount due to customers for the contract work as a liability	10.33	89.74
- Contingencies	NIL	NIL

(b) The estimates of total costs and total revenue in respect of Construction Contracts entered on or after 1st April 2003 in accordance with Accounting Standard (AS)-7(Revised) Construction Contracts are reviewed and up dated periodically during the year by the management and necessary adjustments are made in the current year's account.

33.15 Despite issuance of letter to Major Clients for confirmation of balances with Sundry Debtors, no confirmation from clients has been received till date. Regarding Loans & Advances, Deposits, Sundry Creditors etc., confirmation could not be obtained from the respective parties.

33.16 Interest on overdue amount relating to Micro and Small Enterprises has not been provided and the same has also been shown given below.

Micro, Small & Medium Development Act,2006		
	₹ in Lakh	
	2019-20	2018-19
Delayed payments due as at the end of each accounting year on account of		
Principle	1483.74	1644.83
Interest	2301.74	1863.91
Total Interest Paid on all delayed payments during the year under the provisions of the Act	Nil	Nil
Interest due on principal amounts paid beyond the due date during the year but without the interest amounts under this Act	Nil	Nil
Interest accrued but not due (Represents interest accrued as at the end of the year but not due as interest is computed at monthly rests from the due date.	Nil	Nil
Total Interest due but not paid-(Represent all interest amounts remaining due together with that from prior year(s) until such date when the interest was actually paid to the small enterprises. Mainly to ascertain the amount of interest disallowable for Income Tax purpose)	Nil	Nil

33.17 As a measure of prudence, the deferred tax assets (Net) in terms of AS-22 issued by the Institute of Chartered Accountants of India (ICAI) have not been recognized in the absence of virtual certainty supported by convincing evidence that sufficient future taxable income would be available against which such deferred tax assets could be realized.

33.18 PARTICULARS OF PROVISIONS:

₹ in Lakh

Sl No	PARTICULARS	Opening balance as on 01.04.2019	Add: Provision made during the period	Less: Provision utilized during the Period	Less: Unused provision reversed during the period	Closing Balance as on 31.03.2020
1	Provision for Bonus	143.75	74.04	72.15	0.00	145.64
2	Provision for Bad & Doubtful Debts	14832.59	5651.65	0.00	716.43	19767.81
3	Provision for Liquidated Damages recovered by Clients	6491.57	338.46	82.76	138.35	6608.92
4	Provision for Claims Recoverable	208.50	4457.84	0.00	0.00	4666.34
5	Provision for Doubtful Deposits with Others	187.85	4.05	0.00	0.00	191.90
6	Provision for Doubtful Advances to Suppliers/Sub-Contractors	712.19	0.00	9.30	0.00	702.89
7	Provision for Disputed Cases Stagnant jobs, EMD, SD advances, Output VAT, Receivables etc	0.20	0.00	0.00	0.00	0.20
8	Provision for Inventory	3632.39	144.50	245.65	4.97	3526.27
9	Provision for gratuity	6223.70	700.84	355.17	1.40	6567.97
10	Provision for leave encashment	3164.07	384.52	119.15	23.38	3406.06
11	Provision for RTA	46.77	6.48	0.57	0.00	52.68
12	Provision for LTC/LTA	215.28	35.56	36.02	57.47	157.35
13	Provision for Revision of pay Scale	511.88	0.00	386.99	0.00	124.89
14	Provision for Warranty Expenses	5.70	66.25	17.17	0.00	54.78

33.19 The Company accounted for the liability towards Employee Benefits under Accounting Standard-15 (Revised 2005) as amended by the Companies (Accounting Standard) Amendment Rules, 2008 w.e.f. 1st April, 2007.

(a) The Company has determined the liability for Employee Benefits as at March 31, 2020 in accordance with the revised Accounting Standard 15- Employee benefits issued by ICAI.

(b) Defined benefit plans - As per Actuarial valuation on March 31, 2020.

- 1) **Gratuity :-** Payable on separation @15 day salary for each completed year of service to eligible employees who render continuous service of 5 years or more, subject to a maximum limit of ₹ 20.00 Lakhs.
- 2) **Leave Encashment :-** payable on separation to eligible employees who have accumulated earned leave. Maximum limit of accumulation is 300 days. Encashment of accumulated earned leave is also allowed up to 30 days once in a calendar year.
- 3) **Provident Fund :-** 12% of Basic Pay & Dearness allowance contributed to the provident Fund Trust by the company.
- 4) **Post Retirement Settlement Benefits :-** payable to retiring employees for settlement up to their home town.
- 5) Company's contribution paid/payable during the year to the provident fund trust are recognized in the statement of profit & loss. The company's Provident Fund Trust is exempted under section 17 of employees' provident fund and miscellaneous provisions Act, 1952. The conditions for grant of exemption stipulate that the employer shall make good deficiency, if any, in the interest rate declared by the Trust vis-a-vis statutory rate. The company has already made adequate provision in the accounts based on actual valuation of Provident Fund.
- 6) The defined benefit obligations, other than provident Fund, are unfunded.
- 7) Other disclosure as required under Accounting Standard (AS)-15 (revised on Employees benefits) are:

8)

₹ in Lakh

	GRATUITY	LEAVE ENCASHMENT	RETD. TRAVEL ALLOWANCE
Expense recognized in the statement of Profit & Loss for the year ended March 31,2020			
1. Current Service Cost	305.34	251.73	3.55
2. Past Service Cost	0.57	0.00	0.00
3. Interest Cost	480.25	244.15	3.61
4. Reduction in Obligation due to HPL	0.00	0.00	0.00
5. Net Actuarial(gain)/loss recognized during the year	638.63	142.77	0.91
TOTAL EXPENSES	1424.79	638.65	8.07
Net Asset / (Liability) recognized in Balance Sheet			
1. Present value of the obligation (Current)	615.75	844.08	2.89
2. Present value of the obligation (Non Current)	5952.22	2561.97	49.80
3. Funded status [Surplus /(deficit)]	(6567.97)	(3406.05)	(52.69)
4. Net Asset / (Liability) recognized in the Balance Sheet	6567.97	3406.05	52.69
Change in the Present value of the Obligation during the year ended March 31,2020			
1. Present value of the obligation as at April 1,2019	6223.70	3164.08	46.76
2. Current Service Cost	305.34	251.73	3.55
3. Interest Cost	480.25	244.15	3.61
4. Past Service Cost	0.00	0.00	0.00
5. Benefits paid	(1079.95)	(396.68)	(2.14)
6. Actuarial (Gain) / Loss on obligation	638.63	142.77	0.91
7. Present value of obligation as at March 31,2020	6567.97	3406.05	52.69
Actuarial Assumptions			
1. Discount rate	6.65%	6.65%	6.65%
2. Rate of Increase in Compensation	8.00%	8.00%	8.00%
3. Mortality rate LIC (2006-2008) Table			

33.20 Segment information in accordance with Accounting Standard –17 (AS-17) issued by ICAI are furnished as given below:

Information about different business units (Segments) 2019-2020					
₹ in Lakh					
	Foundry Forge Plant	Heavy Machine Building Plant	Heavy Machine Tool Plant	PROJECT (Turnkey)	Heavy Engineering Corporation
REVENUE					
External Sales	1831.49	8824.35	299.94	2312.34	13268.12
Inter-plant / Job done for own use	3360.90	307.55	248.07	0.00	3916.52
Total Revenue	5192.39	9131.90	548.01	2312.34	17184.64
Net Profit (Before Interest after tax)	(13270.01)	(19135.94)	(1848.47)	(3858.58)	(38113.00)
Interest	824.12	1478.58	121.19	0.00	2423.89
Net Profit	(14094.13)	(20614.52)	(1969.66)	(3858.58)	(40536.89)
Extraordinary Items	0.00	0.00	0.00	0.00	0.00
Prior Period Income	(330.00)	(444.59)	(235.66)	20.73	(989.52)
Net Profit from ordinary Activities after tax	(13764.13)	(20169.93)	(1734.00)	(3879.31)	(39547.37)
OTHER INFORMATION					
Segment Assets	10985.95	25092.63	2124.28	4492.10	42694.96
Addition during the year	235.32	43.81	10.96	1.31	291.40
Unallocated Assets					14009.25
Total Assets					57030.16

Segment Liabilities	25492.78	14815.60	1841.53	10893.57	53043.48
Unallocated Liabilities					44059.61
Total Liabilities					97103.09
Capital Expenditure	219.57	22.33	9.71	1.31	252.92
Unallocated Capital Expenditure.					(80.21)
Total Capital Expenditure					172.71
Depreciation	508.43	136.67	19.05	1.29	665.44
Unallocated Depreciation					68.79
Total Depreciation					734.23

33.21 Disclosure as required under Accounting Standard- 18 (AS –18) “Related Party Disclosures” issued by ICAI is as follows:-

Names of the Related Parties		Details of Transaction		
			(₹ in Lakh)	
	Key Management Personnel	Period	Remunerations	Terminal Benefits
1	Dr Nalin Shinghal, CMD Additional Charge	10/2019 - 03/2020	0.00	0.00
2	Mrs Arundati Panda Director (Finance)	04/2019- 03/2020	30.22	3.54
3	Sri Mradul Kumar Saxena, CMD (Additional Charge) & Director (Personnel)	04/2019- 09/2019 10/2019- 03/2020	26.40	3.23
4	Sri Rana Subhasis Chakravarty Director (Marketing)	04/2019- 03/2020	26.52	3.23
		Total	83.14	10.00

In addition to the above they had been provided housing, car at concessional rate except Sri Nalin Singhal (CMD- Additional Charge).

33.22 In Case deficit arises from Employee’s Provident Fund Trust, it is to be borne by the Company. But in this Accounting year 2019-20, no deficit is noticed in Employee’s Provident Fund Trust Account.

33.23 In certain areas like Transport and Hospital consumables like Spare Parts, Medicines and Stationary are treated as consumed during the year.

33.24 Net worth of the company as on 31-03-2020 is negative and also the company is not listed, hence Ind-AS is not applicable to the company for the F.Y. 2019-20.

33.25 In view of our claim on Kendriya Vidyalaya Sangathan (KVS) and claim of KVS ₹140.23 Lakhs is not acknowledged in absence of relevant documents, and accordingly no provision has been made.

33.26 The previous year’s figures have been regrouped, recasted, reclassified and rearranged to make them comparable as far as practicable with those of current year.

33.27 Additional Information

₹ in Lakh

	Current Year	Previous Year
A.1 Employees who were in receipt of or were entitled to receive emoluments (including benefits) of ₹60,00,000.00 or more for the year (and ₹ 5,00,000.00 or more per month when employed for a part of the year for current year).	Nil	Nil
A.2 Auditor’s Expenses		
i Statutory Auditors Remuneration	2.25	2.25
ii Tax Audit Fees	0.38	0.38
iii Reimbursement of expenses	0.13	0.40

B Value of consumption of Raw Materials, Components, Stores & Spare Parts (Including purchase of finished goods) and percentage thereof.

	(₹ in lakhs)			
	2019-20		2018-19	
	Value	%	Value	%
(a) Raw Materials				
(i) Imported*	1494.01	17.55	6323.38	48.74
(ii) Indigenous	7017.04	82.45	6649.74	51.26
Total	8511.05	100.00	12973.12	100.00
(b) Stores & Spares				
(Including stores and spares used for repairs and Maintenance)				
(i) Imported	375.53	5.90	530.75	6.25
(ii) Indigenous	5987.10	94.10	7964.75	93.75
Total	6362.63	100.00	8495.50	100.00

Note: Exclusive of imports through canalised agencies.

C. Value of Imports on CIF Basis

Raw materials, Spare Parts, GIT				
Components	1343.00	100.00	4816.95	100.00
Capital Goods				
Total	1343.00	100.00	4816.95	100.00

In case of HMBP CIF value of Raw Material, Spare Parts include Cost of Material and 5.5% of cost of material for insurance and freight.

D. Expenditure in Foreign Currency
 Directors & Officers Abroad

5.48	5.67
Total	5.48
	5.67

33.28 The Note No.1 to 32 & Cash Flow Statement forms an integral part of these accounts.



A. K. Kanth
Company Secretary



R. K. Srivastava
Sr.DGM I/c (A &B)



Arundati Panda
Director Finance



Dr. Nalin Shinghal
Chairman Cum Managing Director

Signed for identification
For Lodha Patel Wadhwa & Co
 Chartered Accountants



(CA S.K. Wadhwa)
Partner
 M. No. 074749
 FRN 006271C

Place : Ranchi
 Date : 04-11-2020