

REVISED INDEPENDENT AUDITORS' REPORT

The Members of

ANDHRA PRADESH HEAVY MACHINERY AND ENGINEERING LIMITED

Date : 04 December 2024

Revised Report on the Audit of Financial Statements

We have issued an audit report dated 18 July 2024 on the Financial Statements for the year ended 31 March 2024 which was submitted by the company to the office of the Principal Accountant General (Audit), Andhra Pradesh. In Pursuant to provisional Comments of Comptroller and Auditor General of India issued by the office of the Principal Accountant General (Audit), Andhra Pradesh consequent to supplementary Audit under section 143(6)(a) of Companies Act, 2013 wide Letter Number: PAG(AUDIT)/AMG-II/ITC/TSC-1/APHMEL-FY24/87-2024/460 dated 26.11.2024 and Our Report dated 18 July 2024 and 12 November 2024 has been revised to give effect to the preliminary observations / Provisional Comments.

The Office of the Principal Accountant General (Audit) has conducted the supplementary audit of the Company and gave their provisional comments on the financial statements of the Company under section 143(6)(b) of the Companies Act, 2013, dated 26 November 2024. In the light of the said provisional comments, which are-

- (i) Overstatement of profit by Rs.36.33 Lakhs owing to accounting treatment of invoked Bank Guarantee as receivable from Southeastern Coal Fields Limited.
- (ii) Non-Disclosure of information regarding (ii) Bank Guarantees, validity, purpose and third-party in whose favour the Bank Guarantee was issued.
- (iii) Understatement of profit by Rs.10.49 lakhs owing to treatment of software expenses as revenue expenses instead of Capitalising the same as Intangible Asset as per Ind As 38.
- (iv) Omission to mention the reported date as 31/03/2024.

No Changes were made in the financial statements for the year ended 31 March 2024 which were approved by the Board of Directors and audited by us.

This report supersedes our earlier report dated 18 July 2024 (UDIN:24210576BJZXMR5314) on the Financial Statement of M/s Andhra Pradesh Heavy Machinery and Engineering Limited ("the Company") for the year ended 31 March 2024.

Qualified Opinion

We have audited the accompanying Financial Statement of **M/s ANDHRA PRADESH HEAVY MACHINERY AND ENGINEERING LIMITED**, which comprise the Balance Sheet as at 31 March 2024, the statement of Profit and Loss and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2024 and Profit and Loss, and its Cash Flows for the year ended on that date.

Basis for Qualified Opinion

(1) During the year, one of the customers of the Company M/s Southeastern Coalfields Limited (SECL) has encashed bank guarantee of Rs.36.33 lakhs provided by the Company, due to its failure to comply with contractual terms for supply, installation and commissioning of one Rail Car Man Riding System. The Company, instead of writing of the same as expenditure, has shown the amount of Rs.36.33 lakhs as Security Deposit under Other financial Assets in the Balance Sheet. As a result, the expenditure of the Company for the year has been understated, with a consequential overstatement of profit by an amount of Rs.36.33 lakhs; and an overstatement of Current Assets by the same amount.

(2) During the year, the Company has written off the expenditure of Rs.10.40 lakh incurred for the acquisition of new 'cloud-based database management system software', instead of capitalising the same. As a result, expenditure for the year is overstated and consequently, the profit for the year is understated by an amount of Rs.10.40 lakhs; and the Intangible Assets in the Balance Sheet is under stated by the same amount.

However, this software being an intangible asset of an indefinite life period, need not be amortised in terms of para (X) of the Ind AS 38 Therefore, there is no effect on the depreciation/amortisation for the year.

The financial effect of the matters specified in the above qualifications, to the extent they are quantifiable is as under :

Sl. No.	Description	Item in the Basis for qualified opinion para	Effect on financials Rs. in Lakhs	
			Overstated	Understated
1.	Other Expenses	(1)		36.33
2.	Other Financial Assets	(1)	36.33	
3.	Other Expenses	(2)	10.40	
4.	Intangible Assets	(2)		10.40

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing ("SA"s) specified under section 143(10) of the Act. 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 Act 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 obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters 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 statements as a whole, and in forming our opinion thereon, and

we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income and cash flows of the Company in accordance with the Accounting principles generally accepted in India, including the Indian Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c. The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account.

- d. In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act.
- e. In Pursuance to the Notification No.G.S.R 463 (E) dated 05-06-2015 issued by the Ministry of Corporate Affairs, Section 164 (2) of the Companies Act,2013 Pertaining to disqualification of Directors is not applicable to the Government Company.
- f. With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in “Annexure B”. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company’s internal financial controls with reference to financial statements.
- g. In Pursuance to the Notification No.G.S.R 463 (E) dated 05-06-2015 issued by the Ministry of Corporate Affairs, Section 197 of the Companies Act,2013 Pertaining to the remuneration of Directors is not applicable to the Government Company.
- h. With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - a. The Company has disclosed the impact of pending litigations on its Financial Position on its financial statements Refer Note to the 29 financial statements.
 - b. The Company does not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - c. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
 - d.
 - i) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person(s) or entity(ies), including foreign entities (“Intermediaries”), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
 - (ii) The management has represented, that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been received by the company from any person(s) or entity(ies), including foreign entities (“Funding Parties”), with the understanding, whether recorded in writing or otherwise, that the company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
 - (iii) Based on audit procedures which we considered reasonable and appropriate in the circumstances, nothing has come to their notice that has caused them to believe that the representations under sub-clause (i) and (ii) contain any material mis-statement.

- e. The company has not declared or paid any dividend during the year in contravention of the provisions of section 123 of the Companies Act, 2013.
- f. Based on our examination, which included test checks, the Company has used accounting software's for maintaining its books of accounts for the financial year ended March 31, 2024 which has a feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the software. Further, during the course of our audit we did not come across any instance of the audit trail feature being tampered with.

As per proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable from April 1, 2023, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 on preservation of audit trail as per the statutory requirements for record retention is applicable for the financial year ended March 31, 2024.

- 3. As required by Sec 143(5) of the Act. We report that we have considered the directions/sub directions issued by the comptroller and audit general of India, the action taken thereon and its impact on the financial statements of the company are given in Annexure C.

For **ANNADEVARA ASSOCIATES**
Chartered Accountants
FRN: **004973S**

Sd/-
(A G Krishna Prasad)
Partner
Membership No. 210576
UDIN: **24210576BJZXTO6390**

Place: Vijayawada
Date: **04/12/2024**

ANNEXURE A: TO THE INDEPENDENT AUDITORS' REPORT:

Report as required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013 (Refer to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date) With reference to the Annexure A referred to in the Independent Auditors' Report to the members of the Company on the financial statements for the year ended March 31, 2024, we report the following:

- (i)(a) (A) The Company has proper records related to full particulars including quantitative details and situation of Property, Plant and Equipment.
 - (B) The company is not having any intangible asset. Therefore, the provisions of Clause (i)(a)(B) of paragraph 3 of the order are not applicable to the company.
 - (b) In our opinion Property, Plant and Equipment have been physically verified by the management at reasonable intervals. No material discrepancies were noticed on such verification during the year.
 - (C) The Title Deeds of all the immovable properties (other than properties where the company is lessee and the lease agreements are duly executed in favour of lessee) disclosed in the financial statements are held in the name of company.
 - (D) The company has not re-valued its Property, Plant and Equipment during the year. Therefore, the provisions of Clause (i)(d) of paragraph 3 of the order are not applicable to the company.
 - (E) No proceedings have been initiated (or) are pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder. Therefore, the provisions of Clause (i)(e) of paragraph 3 of the order are not applicable to the company.
- (ii) (a) In our opinion, physical verification of inventory has been conducted at reasonable intervals by the management and the coverage and procedure of such verification by the management is appropriate & no discrepancies of 10% or more in the aggregate for each class of inventory were noticed.
 - (b) During any point of time of the year, the company has not been sanctioned any working capital limits, from banks or financial institutions on the basis of security of current assets. Therefore, the provisions of Clause (ii)(b) of paragraph 3 of the order are not applicable to the company.
 - (iii) During the year, the company has not made any investments in, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties. Therefore, the provisions of clause 3(iii) of the said Order are not applicable to the company.
 - (iv) The company has not made any loans, investments, guarantees and security on which provisions of section 185 and 186 of the Companies Act 2013 are applicable. Therefore, the provisions of clause 3(iv) of the said Order are not applicable to the company.
 - (v) The company has not accepted any deposit or amounts which are deemed to be deposits. Hence, reporting under clause 3(v) of the Order is not applicable.
 - (vi) As explained to us, the Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company. Therefore, the provisions of Clause (vi) of paragraph 3 of the order are not applicable to the Company.
- (vii) (a) The Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income tax Duty of Customs, duty of Excise, Value Added Tax, GST, Cess and other statutory dues with the appropriate authorities to the extent applicable to it. There were no undisputed amounts payable in respect of these statutory dues as at March 31, 2024 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there were disputed amounts payable in respect of Income-tax, GST, Sales Tax, Employees State Insurance and others material statutory dues in arrears were outstanding as at 31-03-2024. The details are given below

S. No	Name of the Statute	Nature	Amount of Dispute (Rs.in Lakh)	Amount Deposit (Rs.in Lakh)	Assessment Year	From where Dispute is pending
1	Sales Tax	Sales Tax	4.59	2.75	1991-92	Appellate Tribunal
2	Sales Tax	Sales Tax	4.21	2.75	1994-95	Appellate Tribunal
3	ESI Act	ESI	131.91	0.00	01-01-1997 to 28-02-2002	Company Preferred to appeal before Hon'ble High Court on the order of the EI Court

- (viii) There were no transactions relating to previously unrecorded income that have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961).
- (ix)(a) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of any loan or other borrowings or any interest due thereon to any lender.
- The Company has received an interest free loan from Government of Andhra Pradesh for Rs.100 Lakhs vide Letter No.23600/IFR/2002-03 dated 13-09-2003. The Interest free loan was granted by Govt., of A.P to implement the Voluntary Retirement Scheme (VRS) in 1997. Following the bifurcation of the State of A.P in 2014, the repayment of this loan has been suspended, pending the resolution of asset bifurcation issues.
- (b) In our opinion and according to the information and explanations given to us, the company has not been a declared wilful defaulter by any bank or financial institution or other lender.
- (c) In our opinion and according to the information and explanations given to us, the loans were applied for the purpose for which the loans were obtained.
- (d) In our opinion and according to the information and explanations given to us, there are no funds raised on short term basis which have been utilised for long term purposes.
- (e) In our opinion and according to the information and explanations given to us, the company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures not applicable.
- (f) In our opinion and according to the information and explanations given to us, the company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies.
- (x) (a) The Company has not raised money by way of initial public offer or further public offer (including debt instruments). Therefore, the provisions of Clause (x)(a) of paragraph 3 of the order are not applicable to the Company.
- (b) In our opinion and according to the information and explanations given to us, during the year, the company has not made any preferential allotment or private placement of shares or convertible debentures (fully or partly or optionally) and hence, reporting under clause 3(x)(b) of the Order is not applicable.
- (xi) (a) We have not noticed any case of fraud by the company or any fraud on the Company by its officers or employees during the year. The management has also not reported any case of fraud during the year.

- (b) During the year no report under sub-section (12) of section 143 of the Companies Act has been filed by the auditors in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government. (c) As auditor, we did not receive any whistle-blower complaint during the year.
- (xii) The company is not a Nidhi Company. Therefore, the provisions of Clause (xii) of paragraph 3 of the order are not applicable to the Company.
- (xiii) As per the information and explanations received to us all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act where applicable, and the details have been disclosed in the financial statements, etc., as required by the applicable accounting standards. Identification of related parties were made and provided by the management of the company.
- (xiv) The company is not covered by section 138 of the Companies Act, 2013, related to appointment of internal auditor of the company. Therefore, the company is not required to appoint any internal auditor. Therefore, the provisions of Clause (xiv) of paragraph 3 of the order are not applicable to the Company.
- (xv) The Company has not entered into any non-cash transactions with directors or persons connected with him for the year under review. Therefore, the provisions of Clause (xv) of paragraph 3 of the order are not applicable to the Company.
- (xvi) (a) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.
(b) The company has not conducted any Non-Banking Financial or Housing Finance activities during the year.
(c) The company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India.
(d) As per the information and explanations received, the group does not have any CIC as part of the group.
- (xvii) The company has not incurred cash losses during the financial year covered by our audit and in the immediately previous financial year also.
- (xviii) There has been no resignation of the previous statutory auditors during the year.
- (xix) On the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements, the auditor's knowledge of the Board of Directors and management plans, we are of the opinion that no material uncertainty exists as on the date of the audit report that company is capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date.
- (xx) There is no liability of the company under the provisions of section 135 of the Companies Act, relating to Corporate Social Responsibility. Therefore, the provisions of Clause (xx) of paragraph 3 of the order are not applicable to the Company.
- (xxi) The company has not made investments in subsidiary company. Therefore, the company does not require to prepare consolidated financial statement. Therefore, the provisions of Clause (xxi) of paragraph 3 of the order are not applicable to the Company.

For **ANNADEVARA ASSOCIATES**
Chartered Accountants
FRN: **004973S**

Sd/-
(A G Krishna Prasad)
Partner
Membership No. 210576
UDIN: **24210576BJZXT06390**

Place: Vijayawada
Date: 04/12/2024

ANNEXURE B: to the Independent Auditors' Report

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

We have audited the internal financial controls with respect to the Financial Statements of ANDHRA PRADESH HEAVY MACHINERY AND ENGINEERING LIMITED ("the Company") as of 31 March 2024 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with respect to Financial Statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls with respect to Financial Statements

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of

unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with respect to Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2024, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **ANNADEVARA ASSOCIATES**
Chartered Accountants
FRN: **004973S**

Sd/-
(A G Krishna Prasad)
Partner
Membership No. 210576
UDIN: **24210576BJZXTO6390**

Place: Vijayawada

Date: 04/12/2024

ANNEXURE C: TO THE INDEPENDENT AUDITOR'S REPORT

As referred to the Point (3) under "Report on Other Legal and Regulatory Requirements" section of our report of even date to the members of the M/s. ANDHRA PRADESH HEAVY MACHINERY AND ENGINEERING LIMITED on standalone financial statements for the year ended March, 31st2024.

As required by section 143(5) of the Companies Act, 2013 we report, on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanation given to us during the course of our audit and the audit procedures conducted by us, on the directions and the sub-directions issued by Comptroller & Auditor General of India, to the extent applicable are:

(a) Directions :

Sl. No.	Directions	Our Comments
1.	Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	As per the information and explanation provided to us, Company has a system to process all the transactions through IT System. To the best of our knowledge there is no accounting transactions being processed outside IT system.
2.	Whether there is any restructuring of an existing loan or cases of waiver/write off of debts /loans/interest etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated. Whether Such Cases are properly accounted for? (In case, lender is a government company, then this direction is also applicable for statutory auditor of lender company).	As per information and explanation provided to us, there are no such instances of case of waiver/write off of debts/loans/interest etc., during F.Y.2023-24.
3.	Whether funds (grants/subsidy etc.) received/receivable for specific schemes from central/ state Government or its agencies were properly accounted for/ utilized as per its term and conditions? List the cases of deviation.	As per information and explanation provided to us, no funds have been received for any specific schemes from central/ state Government or its agencies.

(b) Sub-Directions :

(1) General :

Sl. No.	Sub-Directions	Our Comments
1.	In case of works executed with the funds of Central of State Government (s)/ other user department(s) or their agencies, whether there is conclusive evidence that the assets created will be the assets of the PSU? If not, the accounting treatment of the funds received, utilised, returned, assets created upto and the during the year (work-in-progress or completed), assets handed over to the fund-giving agency upto and during the year, assets impaired, if any, and the revenue/ commission/ centage realized on these works, with full quantitative details may be detailed.	As per the information and explanation provided to us, there are no works which were executed by the funds of either State Government or Central government or other user department (agencies).
2.	Where Grants are received from Central or State Government(s) / other user department(s) or their agencies,	As per the information and explanation provided to us, During the year under review, there are no grants received by the Company from Central or State Government(s) / other user department(s)

Sl No.	Sub-Directions	Our Comments
	<p>a) Where grants are taken as revenue for the year, whether the concerned orders are clear that the funds can be utilized for revenue expenditure:</p> <p>b) Where guarantee commission, is to be paid, the quantitative details viz., amount guaranteed, rate of guarantee commission, whether the commission was paid or payable along with the details of the purpose of raising the funds with guarantee and whether the funds were utilized for the stated purpose:</p>	<p>or their agencies.</p> <p>No, Guarantee commission is paid/ payable by the Company during the year under review.</p>
3	<p>Where any long term liability is undertaken against an asset of finite lifetime, whether there is a clear accounting policy thereon (for instance, land obtained on lease for a specific period (whether renewable or non-renewable) but shares issued in lieu of the land lease.</p>	<p>Not Applicable</p>
4	<p>Whether the corresponding expenditure on which the taxes paid/ payable are accounted in the financial statements is also included appropriately.</p>	<p>Not Applicable</p>
5	<p>Whether there is a Personal Deposit account in the name of the PSU? If yes,</p> <p>a) Funds debited from the PD account erroneously/ lapsed by the treasury, but claimed by the Company as receivable/ its own funds:</p> <p>b) If any funds given by any Government or agencies other than the State Government were lapsed, the details of the same may be detailed:</p> <p>c) Details of the funds raised through loans (with or without government guarantee) and deposited in PD Account: Purpose of the loans and whether the purpose is initiated/completed:</p> <p>d) Whether suitable disclosure on the restrictions or additional permissions required on withdrawing the funds in PD Accounts is included or not:</p> <p>e) The quantitative details of the bills sent for clearing against the PD account balances but not cleared/ returned unpaid as on the reporting date along with age-wise analysis:</p>	<p>As per the information and explanation provided to us, The Company has not maintained any Personal Deposit Account in its name.</p> <p>Not Applicable</p> <p>Not Applicable'</p> <p>Not Applicable</p> <p>Not Applicable</p> <p>Not Applicable</p>
6	<p>Where funds are raised by the Company and the payment of Principal or Interest or both are met by the State Government or its agencies, directly or indirectly, the details and the purpose of these loans may be stated along with the fact whether the funds were utilized for the stated purpose.</p>	<p>As per the information and explanation provided to us, during the year under review, there are no Loans received by the Company from Central or State Government(s) / other user department(s) or their agencies.</p>

Sl No.	Sub-Directions	Our Comments
7	Whether the land owned by the Company is encroached, under litigation, not put to use or declared surplus. Details may be provided.	The land owned by the company has been physically verified, and it has been observed that the company has not constructed a boundary wall. The premises, encompassing 209 acres, remain exposed and vulnerable to encroachment due to the lack of perimeter security.
8	Whether the inventory has been taken on the basis of physical verification after adjustment of shortage/ excess found and whether due consideration has been given for deterioration/ obsolescence in the quality which may result into overvaluation of stock?	As per the information and explanation provided to us, Inventory are taken after due physical verification and no shortage/ excess are found. Sufficient non-moving provision is available in the books of accounts for obsolete materials.
9	Whether the cost incurred on abandoned projects has been written-off?	Not Applicable.
10	Cases of wrong accounting of interest earned on account of non-utilization of amounts received for certain projects/schemes may be reported.	Not Applicable.
11	Whether the bifurcation plan (between Andhra Pradesh & Telangana States), if any, for the Company is finalized and approved: Whether the accounting treatment as per the plan and the suitable detailed disclosures are given. Deviations may be stated.	<p>As per the information and explanation provided to us, The APHMEI has been in schedule –IX Companies under the A.P. Reorganization Act, 2014. As approved by the share holders of APHMEI in the extraordinary general meeting held on 01.04.2017 and reconfirmed by the Board in the meeting held on 04.09.2017, MD, APHMEI submitted demerger proposal to the Expert Committee seeking for “apportionment of 0.86% of equity of APHMEI amounting to Rs.14,90,100/- held by erstwhile Govt. of AP between the successor States of AP and Telangana in the ratio 58.32 : 41.68 as mentioned in the Act i.e., allocation of 86,903 equity shares to the present Govt. of AP and 62,107 equity shares to the Govt. of Telangana being the only issue to be resolved under the AP Reorganization Act, 2014 with respect to APHMEI.</p> <p>Contrary to the demerger proposal submitted by MD, APHMEI, Chairman of the Committee, vide DO Lr.No.5614/Expert Committee/2014 dt.15.03.2018 has given its recommendation to the effect that APHMEI shall pass to the residual state of Andhra Pradesh in its entirety in terms of section 53(1) of the A.P. Reorganization Act, 2014 since its all the assets & liabilities are located in the State.</p> <p>Based on the recommendations of SCCL, Chief Secretary Got has requested Secretary, Ministry of Home Affairs, Gol vide DO Lr.No.1583/Budget A 2/2017 dt.21.05.2018 to set aside the recommendation of the Expert Committee on APHMEI and issue directions under Section 71(a) of the Act regarding the</p>

Sl. No.	Sub-Directions	Our Comments
		division of the interests in the shares of the then Andhra Pradesh in APHMEL and protect the interests of Telangana and Central Govt. as the SCCL is a joint Company of Telangana and Central Govt. Communication is yet to be received from the Ministry of Home Affairs, GOI on the subject.

(ii) Sector : Specific Sub-Division : Manufacturing Industry :

Sl. No.	Sub-Directions	Our Comments
1	Whether the Company's pricing policy absorbs all fixed and variable cost of production as well as the allocation of overheads?	As per the information and explanation provided to us, in few cases (as the company deals in product mix), variable cost of products will be considered to meet some portion of the fixed expenses by the contribution raised from it.
2	Whether the Company has utilized the Government assistance for technology up gradation/modernization of its manufacturing process and timely submitted the utilization certificates.	As per the information and explanation provided to us, Company has not utilized Govt. Assistance for technology up-gradation/modernization and hence submission of utilization certificate is not applicable.
3	Whether the Company has fixed norms for normal losses and a system for evaluation of abnormal losses for remedial action is in existence.	As per the information and explanation provided to us, products Manufactured by Company are based on the Job orders requirement from Customers. The issue of normal/abnormal losses does not arise due to tailor made orders from the customers. All the precautionary measures were taken while quoting the tender to avoid losses (either normal/ abnormal).
4	What is the system of valuation of by-products and finished products? List out the cases of deviation from its declared policy.	As per the information and explanation provided to us, other than Scrap, none of the By-products were generated. Scrap has been valued at the market value. The same would be disposed as per the policy laid down in the Company. There is no deviation from the policy.
5	Whether the effect of deteriorated stores and spares of closed mills been properly accounted for in the books.	As per the information and explanation provided to us, there are no closed mills.
6	State the extent of utilization of plant and machinery during the year vis-à-vis installed capacity.	The relevant Information furnished by the company is attached to this audit report as an "Annexure".
7	Report on the cases of discounts/ commission in regard to debtors and creditors where the company has deviated from its laid down policy.	As per the information and explanation provided to us, there is no deviation.

For **ANNADEVARA ASSOCIATES**

Chartered Accountants

FRN: **004973S**

Sd/-

(A G Krishna Prasad)

Partner

Membership No. 210576

UDIN: **24210576BJZXTO6390**

Place: Vijayawada

Date: 04/12/2024

PARTICULARS REGARDING CAPACITY AND PRODUCTION

In Metric Tonnes

Sl. No.	PRODUCT GROUP	LICENCED CAPACITY		INSTALLED CAPACITY		ACTUAL PRODUCTION	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
				2023-2024	2022-2023	2023-2024	2022-2023
1	Material Handling Equipment	4710	4710	250	250	390	2596
2	Chemical, Pharmaceutical & Mini Cement Plant	2000+ 1000	2000+ 1000	1188	1188	-	-
3	Textile Machinery	160	160	-	-	-	-
4	Leather Processing Machinery	500	500	312	312	-	-
5	Size Reduction Equipent	2000	2000	1750	1750	-	-
6	Job Orders	-	-	-	-	0	0
7	Air Pollution Control Equipment	3000	3000	-	-	-	-
8	Road Headers & Tunnelling Equipment	8 Nos.	8 Nos.	-	-	-	-
9	Maintenance Spares & Overhauling Services	-	-	-	-	752	904
10	Long Wall Roof Support Systems	3 Systems	3 Systems	-	-	-	-

NOTE :

1. The machinery and equipment installed are of general purpose nature and capacities of the machinery and equipment are interchangeable.
2. Capacity is based on 2 shift basis.
3. Installed capacity is arrived on the basis of product mix as per the project Report.
4. The Company has received letter of intent only for Long wall Roof Support Systems.

PERCENTAGE OF LABOUR UTILISATION & CAPACITY UTILISATION

$$\begin{aligned} \text{Capacity Utilisation} \\ \text{for the Year} \\ \text{April 2023 - March 2024} &= \frac{\text{Utilisation of Capacity}}{\text{Installed Capacity}} \times 100 \\ &= \frac{1142}{3500} \times 100 = \mathbf{32.63\%} \end{aligned}$$

Sd/-
DGM (Marketing)

REPLIES OF THE MANAGEMENT TO THE QUALIFIED OPINION OF STATUTORY AUDITORS M/S ANNADEVARA ASSOCIATES AS CONTAINED IN THE REVISED AUDITORS' REPORT AND ANNEXURE TO THE REPORT BOTH DATED 04-12-2024, WHICH WAS RECEIVED BY THE COMPANY ON 09.12.2024.

QUALIFIED OPINION AS PER THE REVISED AUDITORS' REPORT	REPLIES OF THE MANAGEMENT
<p>1. During the year, one of the customers of the Company M/s Southeastern Coalfields Limited (SECL) has encashed bank guarantee of Rs.36.33 lakhs provided by the Company, due to its failure to comply with contractual terms for supply, installation and commissioning of one Rail Car Man Riding System. The Company, instead of writing off the same as expenditure, has shown the amount of Rs.36.33 lakhs as Security Deposit under Other Financial Assets in the Balance Sheet. As a result, the expenditure of the Company for the year has been understated, with a consequential overstatement of profit by an amount of Rs.36.33 lakhs; and an overstatement of Current Assets by the same amount.</p>	<p>In this connection, it is to inform that mail was received from SECL dated 02-12-2024 that It is confirmed that the contractual obligations against M/S.SECL PO.No.SECL/BSP/MMW/SEC-I/Rail Car MRS/Bhatgaon/305, dt.16-12-2013 has not been completed and the validity of BG.No.0057815BG0000074 for an amount of Rs.36,33,330/- submitted to SECL against SECL PO.No. SECL/BSP/MMW/SEC-I/Rail Car MRS/Bhatgaon/305, dt.16-12-2013 was not extended by M/s APHMEL, as such the same was encashed by BG section Finance deptt SECL HQ. The same is not a forfeiture of BG due to any penal action as on date and is refundable to APHMEL subject to compliance of all contractual terms.</p>
<p>2. During the year, the Company has written off the expenditure of Rs.10.40 lakh incurred for the acquisition of new "cloud-based database management system software", instead of capitalizing the same. As a result, expenditure for the year is overstated and consequently, the profit for the year is understated by an amount of Rs.10.40 lakhs; and the Intangible Assets in the Balance Sheet is understated by the same amount.</p> <p>However, this software being an intangible asset of an indefinite life period need not be amortized in terms of para (X) of the Ind AS 38. Therefore, there is no effect on the depreceiation/amortization for the year.</p>	<p>It is to inform that an order was placed for amount of Rs.10,40,000/- towards development of software and hosting of web application through cloud computing. Payments were made as per order terms.</p> <p>However, we assure that the subject software expenditure will be capitalized in the financial 2024-25 by passing suitable rectification entries by providing amortization expenditure separately for the year 2023-24 & 2024-25 based on its prescribed life period.</p>

FOR AND ON BEHALF OF THE BOARD

Sd/-
(J. NAGARAJU)
MANAGING DIRECTOR
DIN: 10751743