

प्रधान महालेखाकार (लेखापरीक्षा)
का कार्यालय
आन्ध्र प्रदेश, विजयवाडा - 520 002.



OFFICE OF THE PRINCIPAL
ACCOUNTANT GENERAL (AUDIT)
ANDHRA PRADESH, VIJAYAWADA-520 002.

PAG (Audit)/AP/TSC-I/APHMEL-FY26/2026-27/ 160

Date: 28.09.2026

To
Managing Director,
M/s. Andhra Pradesh Heavy Machinery and Engineering Limited
Kondapalli, Andhra Pradesh – 521228

Sub: Comments of the Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act, 2013 on the Financial Statements of Andhra Pradesh Heavy Machinery and Engineering Limited (APHMEL) for the year ended 31 March 2026.

Sir,

I am to forward herewith Comments of the Comptroller and Auditor General of India (C&AG) under Section 143(6)(b) of the Companies Act, 2013 on the financial statements of Andhra Pradesh Heavy Machinery and Engineering Limited (APHMEL) for the year ended 31 March 2026 for necessary action.

2. The date of placing the Certificate/Comments of C&AG along with Financial Statements and Independent Auditors' Report dated 20.06.2026 in Annual General Meeting (AGM) before the shareholders of the Company may please be communicated along with copy of the proceedings of the AGM.

3. The date of forwarding the Annual Report of the Company containing Financial Statements along with Independent Auditors' Report dated 20.06.2026 and Certificate of C&AG to the Government of Andhra Pradesh for being laid before the State Legislature may also be intimated. Copy of the letter from the Legislature Secretariat indicating date on which Annual Report is laid before State Legislature may also be intimated.

4. Five copies of the Annual Report of the Company for the year 2025-26 may be furnished to this Office.

5. Management Letter containing deficiencies in internal controls on financial reporting noticed during Supplementary Audit of the accounts of the Company for the year is issued separately.

Encl: As above.

Yours faithfully,


25/9/26

Senior Deputy Accountant General

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL
STATEMENTS OF ANDHRA PRADESH HEAVY MACHINERY AND
ENGINEERING LIMITED FOR THE YEAR ENDED 31 MARCH 2026**

The preparation of financial statements of **Andhra Pradesh Heavy Machinery and Engineering Limited** for the year ended 31 March 2026 in accordance with the financial reporting framework prescribed under 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 20.06.2026.

I, on behalf of the Comptroller and Auditor General of India, have conducted Supplementary audit of the financial statements of **Andhra Pradesh Heavy Machinery and Engineering Limited** for the year ended 31 March 2026 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 the Company personnel and a selective examination of some of the accounting records.

In addition, I would like to highlight the following significant matters under Section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report:

A. COMMENT ON PROFITABILITY

Statement of Profit & Loss Account

Revenue from Operations (Note 22): ₹. 6312.75 Lakh

Profit/Loss for the year: ₹2371.90 Lakh

1) The above includes revenue earned from various contracts for supply, installation, commissioning and obtaining necessary approvals for heavy machinery for a total contract consideration of ₹ 4,006.29 Lakh. During FY 2025-26, the machinery was supplied and accepted by the customers. However, installation, commissioning and obtaining the requisite DGMS approvals remained incomplete as at 31 March 2026. The contract provides for single consideration for the entire scope of work. Management has also confirmed the aforesaid activities and the revenue for the package as a whole falls to be recognised upon transfer of control of the material to the customer.

Para 31 of Ind AS 115 provides that an entity recognises revenue when (or as) it satisfies a performance obligation by transferring the promised good or service (i.e., an asset) to the customer. An asset is transferred when (or as) the customer obtains control of the asset. Further para 33 of IND AS 115 states that, Control of an asset means the ability to direct its use and obtain substantially all its remaining benefits. It also includes the ability to prevent other entities from directing its use and obtaining its benefits. The benefits of an asset are the potential cash flows (inflows or savings in outflows) that can be obtained directly or indirectly such as by using the asset to produce goods or to provide services.

The contract includes supply, installation, commissioning, Field trial and DGMS approvals before its intended use by the customer. The control of the asset in terms of the para 31 read together with Para 33 of Ind AS 115 is not obtained by the customer before completion of substantially all obligations by the Company. Thus, revenue recognition criteria prescribed as per Para 31 of Ind AS 115 is not fulfilled in the given case. The recognition of revenue after supply without completion of remaining performance obligations is not in consonance with Ind AS 115.

This has resulted in overstatement of Revenue from operations (Note-22) by ₹4,006.29 lakh with consequent understatement of advance from customers by the same amount.

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

Place: Vijayawada

Date: 28.09.2026


(Sarat Chaturvedi)
Principal Accountant General (Audit)
प्रधान महालेखाकार (ले.प.)

प्रधान महालेखाकार (लेखापरीक्षा)
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OFFICE OF THE PRINCIPAL
ACCOUNTANT GENERAL (AUDIT)
ANDHRA PRADESH, VIJAYAWADA-520 002.

PAG(Audit)AP/AMG-II/TSC-I/APHMEL-FY26/2026-27/ 161

Date: 28.09.2026

To

The Managing Director,

M/s. Andhra Pradesh Heavy Machinery and Engineering Limited
Kondapalli, Andhra Pradesh – 521228.

Sub: Management Letter – Deficiencies noticed during Supplementary Audit of Financial Statements of Andhra Pradesh Heavy Machinery & Engineering Limited (APHMEL) for the year ended 31 March 2026.

Sir,

- 1) The following audit observation issued during Supplementary Audit of the Financial Statements of APHMEL for the year ended 31 March 2026 under Section 143(6) of the Companies Act 2013 is not pursued through CAG comments based on the replies / assurances of the Management:
 - a) Provision for doubtful trade receivables may be reviewed in the light of attempts made by the management to recover and actual realisation thereof. Wherever there is no certainty of realisation within a stipulated timeline provision may be made in the accounts.
2. The above issue/observation on deficiencies financial statements may be kept in view while preparing Annual Report for 2025-26 and financial statements for the year 2026-27. Further, reply / action taken by the Management may be furnished to this Office while submitting accounts of the Company for the year 2026-27 for Supplementary Audit.
3. Receipt of this letter may please be acknowledged.

Yours faithfully,


25/9/26

Senior Deputy Accountant General

Comments of the Comptroller and Auditor General of India under Section 143(6)(b) of Companies Act, 2013 on the Financial Statements of Andhra Pradesh Heavy Machinery and Engineering Limited (APHMEL) for the year ended 31 March 2026.	Replies of the Management forming part of the Board's Report to the Shareholders
COMMENT ON PROFITABILITY Statement of Profit & Loss Account Revenue from Operations (Note 22): ₹ 6312.75 Lakh Profit/Loss for the year: ₹2371.90 Lakh The above includes revenue earned from various contracts for supply, installation, commissioning and obtaining necessary approvals for heavy machinery for a total contract consideration of ₹ 4,006.29 Lakh. During FY 2025-26, the machinery was supplied and accepted by the customers. However, installation, commissioning and obtaining the requisite DGMS approvals remained incomplete as at 31	The Company has examined the observation regarding recognition of revenue of ₹4,006.29 lakh in respect of three Purchase Orders obtained from M/s Mahanadi Coalfields Limited (MCL) and M/s Southeastern Coalfields Limited (SECL) for supply, installation, commissioning and field trial/DGMS approval of Chair Lift type Man Riding Systems, with reference to the contractual terms and the requirements of Ind AS 115 – Revenue from Contracts with Customers. The Company respectfully submits that the Purchase Orders provide for supply of the equipment followed by installation, commissioning and field trial/DGMS approval. The payment terms provide for 80 per cent of the order value, together with applicable taxes, against supply of the material, while the balance 20 per cent is payable upon installation, commissioning and field trial approval. The delivery schedule also separately provides for completion of supply within 180 days from the date of the Purchase Order and installation and commissioning within 180 days from handing over of the site by the customer (after site readiness communicated to the seller). During FY 2025-26, the Company supplied the machinery to the respective customers and the supplies were accepted by them. The Company accordingly transferred the machinery to the customers and raised tax invoices for the entire order value, which were accepted and acknowledged by the respective customers. The customer balance confirmations also corroborate the acceptance of the invoices. Ind AS 115 does not provide that revenue relating to a supply contract can be recognised only after completion of every activity mentioned in the scope of the Purchase Order. The recognition of

Comments of the Comptroller and Auditor General of India under Section 143(6)(b) of Companies Act, 2013 on the Financial Statements of Andhra Pradesh Heavy Machinery and Engineering Limited (APHMEL) for the year ended 31 March 2026.	Replies of the Management forming part of the Board's Report to the Shareholders
March 2026. The contract provides for single consideration for the entire scope of work. Management has also confirmed the aforesaid activities and the revenue for the package as a whole fall to be recognised upon transfer of control of the material to the customer. Para 31 of Ind AS 115 provides that an entity recognises revenue when (or as) it satisfies a performance obligation by transferring the promised good or service (i.e., an asset) to the customer. An asset is transferred when (or as) the customer obtains control of the asset. Further para 33 of IND AS 115 states that, Control of an asset means the ability to direct	revenue is governed by whether the relevant performance obligation has been satisfied by transfer of control to the customer in terms of paragraphs 31 to 33 of Ind AS 115. Paragraph 31 of Ind AS 115 provides that revenue is recognised when an entity satisfies a performance obligation by transferring a promised good or service to the customer. Paragraph 33 explains that control comprises the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. In the present case, the machinery was supplied and accepted by the customers during FY 2025-26. The Company has therefore assessed the transfer of control of the supplied machinery in accordance with the requirements of Ind AS 115. It is further submitted that the contractual provision relating to the Man Riding System specifically contemplates that even in the case of partial erection/installation, where satisfactory commissioning is achieved, the equipment may be declared satisfactorily commissioned and the scope of supply treated as completed for purposes of release of balance payment, SDBG, PBG and subsequent closure of the contract. Thus, the contractual arrangement itself does not make 100 per cent physical installation an absolute and unconditional precondition for completion of the scope of supply. The above contractual provision is significant in assessing the nature of the remaining activities. It demonstrates that the contractual arrangement recognizes the supplying equipment as the

Comments of the Comptroller and Auditor General of India under Section 143(6)(b) of Companies Act, 2013 on the Financial Statements of Andhra Pradesh Heavy Machinery and Engineering Limited (APHMEL) for the year ended 31 March 2026.	Replies of the Management forming part of the Board's Report to the Shareholders
its use and obtain substantially all its remaining benefits. It also includes the ability to prevent other entities from directing its use and obtaining its benefits. The benefits of an asset are the potential cash flows (inflows or savings in outflows) that can be obtained directly or indirectly such as by using the asset to produce goods or to provide services. The contract includes supply, installation, commissioning, Field trial and DGMS approvals before its intended use by the customer. The control of the asset in terms of the para 31 read together with Para 33 of Ind AS 115 is not obtained by the customer before completion of substantially all obligations by	substantive milestone and does not necessarily require completion of every physical installation activity before the scope of supply can be regarded as complete. It is acknowledged that satisfactory commissioning reports in respect of the three orders had not been received as at 31 March 2026. However, the absence of such reports, by itself, does not establish that control of the machinery already supplied and accepted by the customers had not transferred. The assessment under Ind AS 115 requires consideration of the substance of the promises in the contract and whether the remaining activities represent an unsatisfied performance obligation that prevents transfer of control of the supplied equipment. Further Paragraph 38 (b) of Ind AS 115 provides that, the customer has legal title to the asset— legal title may indicate which party to a contract has the ability to direct the use of, and obtain substantially all of the remaining benefits from, an asset or to restrict the access of other entities to those benefits. Therefore, the transfer of legal title of an asset may indicate that the customer has obtained control of the asset. If an entity retains legal title solely as protection against the customer's failure to pay, those rights of the entity would not preclude the customer from obtaining control of an asset. The Company further submits that the 80:20 payment arrangement represents contractual payment milestones and cannot, by itself, be regarded as an allocation of the transaction price between separate performance obligations. The Company has not recognised revenue merely because 80 per cent of the consideration was received. The revenue recognition has been based

Comments of the Comptroller and Auditor General of India under Section 143(6)(b) of Companies Act, 2013 on the Financial Statements of Andhra Pradesh Heavy Machinery and Engineering Limited (APHMEL) for the year ended 31 March 2026.	Replies of the Management forming part of the Board's Report to the Shareholders
the Company. Thus, revenue recognition criteria prescribed as per Para 31 of Ind AS 115 is not fulfilled in the given case. The recognition of revenue after supply without completion of remaining performance obligations is not in consonance with Ind AS 115. This has resulted in overstatement of Revenue from operations (Note-22) by ₹4,006.29 lakh with consequent understatement of advance from customers by the same amount.	on the Company's assessment that control of the supplied machinery had transferred to the customers. It is also relevant that the Company has entered into similar contracts with SECL and other Coal Companies in earlier years. In those contracts, the Company has followed the practice of recognising revenue upon transfer of the material to the customer, and the corresponding supplies/payments were accepted by the customers without any dispute or objection. This consistent experience provides corroborative evidence regarding the nature of the Company's contractual arrangements and the treatment historically followed for similar supplies. Further, the requirement for obtaining DGMS approval is a contractual/regulatory requirement associated with the installed Man Riding System. The fact that DGMS approval forms part of the contractual scope does not, by itself, establish that control of the machinery supplied necessarily remains with the Company until such approval is obtained. The Company has also obtained DGMS approvals in respect of similar Man Riding System contracts in the normal course. (Para 25 of Ind AS 115 also states that Performance obligations do not include activities that an entity must undertake to fulfil a contract unless those activities transfer a good or service to a customer.) The Company has additionally made a provision of ₹149.70 lakh towards the estimated expenditure required for completion of the remaining activities. This amount has been separately provided towards the estimated cost/ probable outlay relating to such activities and does not form the basis for recognition of revenue.

Comments of the Comptroller and Auditor General of India under Section 143(6)(b) of Companies Act, 2013 on the Financial Statements of Andhra Pradesh Heavy Machinery and Engineering Limited (APHMEL) for the year ended 31 March 2026.	Replies of the Management forming part of the Board's Report to the Shareholders
For and on behalf of the Comptroller and Auditor General of India Sd/- (Sarat Chaturvedi) Principal Accountant General (Audit) Place:Vijayawada. Date:28.09.2026	Thus, the mere fact that certain installation, commissioning and DGMS-related activities remained to be completed as at 31 March 2026 does not, in the circumstances of the present contracts, automatically establish that the customer had not obtained control of the machinery supplied and accepted by it. There is no evidence till date, that the customers had rejected the machinery supplied. In view of the above contractual provisions, the transfer and acceptance of the machinery by the customers, the nature of the payment milestones, the consistent treatment of similar contracts, and the Company's assessment under paragraphs 31 to 33 & 38 of Ind AS 115, Management is of the considered view that recognition of the contract consideration as revenue upon transfer of control of the supplied machinery is not inconsistent with Ind AS 115. However, the audit observation is noted. The Company will review and amend its revenue recognition policy to comply with the Ind AS 115 henceforth. For and on behalf of the Board Sd/- (M. Yerranna) Managing Director Date:28.09.2026 Place:Kondapalli.