

Independent Auditor's Report

To the Members of
Isgec Heavy Engineering Limited

REPORT ON THE AUDIT OF THE STANDALONE IND AS FINANCIAL STATEMENTS

OPINION

We have audited the accompanying standalone Ind AS financial statements of **Isgec Heavy Engineering Limited** ("the Company"), which comprise the Balance Sheet as at 31st March, 2021, the Statement of Profit and Loss (including the Statement of Other Comprehensive Income), the Statement of Changes in Equity and the Cash Flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2021, and its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

BASIS FOR OPINION

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing (SAs), as 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 Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered

Accountants of India together with the ethical requirements that are relevant to our audit of the standalone Ind AS financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

EMPHASIS OF MATTER

We draw attention to Note 56 to the standalone Ind AS financial statements, which describes the uncertainties and the impact of Covid-19 pandemic on the Company's operations, carrying amounts of property, plant & equipment, intangible assets, investments, recoverability of receivables and other assets and management's evaluation of the future performance of the Company. In view of the uncertain economic environment, a definitive assessment of the impact on the subsequent periods is dependent upon circumstances as they evolve. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

Sr. No.	Key Audit Matter	Auditor's Response
1	<p>Revenue recognition for construction contracts</p> <p>The Company's significant portion of business is undertaken through construction contracts. Revenue from these contracts is recognized over a period of time in accordance with the requirements of Ind AS 115, "Revenue from Contracts with Customers". Due to the nature of the contracts, revenue recognition involves usage of percentage of completion method which is determined based on proportion of contract costs incurred to date compared to estimated total contract costs.</p> <p>The determination of revenues and margin relating to construction contracts depends on total cost at completion estimated by the management. These estimates are reviewed on a quarterly basis or more frequently in the event of any major development during the progress of projects.</p> <p>This method involves significant judgments, identification of contractual obligations and the Company's rights to receive payments for performance completed till date, changes in scope and consequential revised contract price and recognition of the liability for loss making contracts.</p> <p>Refer Note 2.4 to the standalone Ind AS financial statements.</p>	<p>Principal Audit Procedures</p> <p>In the context of our work, the procedures set up in terms of contribution to revenues of construction contracts consisted of :</p> <ul style="list-style-type: none"> • Considering the appropriateness of the Company's revenue recognition accounting policies and assessing compliance with the policies in terms of Ind AS 115. • Performing testing of the design and implementation of controls over revenue recognition with specific focus on controls over determination of progress of completion, recording of costs incurred and estimation of costs to complete the remaining contract obligations. • Performing tests of details, on a sample basis, and verifying the underlying customer contracts, performing review of actual costs incurred with estimated costs to identify significant variations and assess whether those variations have been considered in estimating the remaining costs to complete and consequential determination of stage of completion, which formed the basis of revenue recognition under the input method. We reviewed the management's evaluation process to recognize revenue over a period of time, status of completion for projects and total cost estimates. We reviewed and verified the estimated cost of contracts, on test check basis, arising from contract modifications and analysed current on-going negotiations and settlements that may impair the profitability of such contracts. • Examining contracts with exceptions including contracts with low or negative margins, loss making contracts, contracts with significant changes in planned cost estimates to determine the level of provisioning required. • Verifying the contractual positions and revenue for the year are appropriately presented and disclosed in the standalone Ind AS financial statements



INFORMATION OTHER THAN THE STANDALONE IND AS FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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 Ind AS financial statements and our auditor's report thereon.

Our opinion on the standalone Ind AS 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 Ind AS 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 Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE IND AS FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. 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 standalone Ind AS 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 Ind AS 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.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE STANDALONE IND AS FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the standalone Ind AS 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 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 Ind AS 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 Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone Ind AS financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone Ind AS financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the standalone Ind AS 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 Ind AS 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, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure -A, which forms a part of this report, a statement on the matters specified in paragraph 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 purpose of our audit;
 - (b) In our opinion, proper books of account, as required by law have been kept by the Company so far, as appears from our examination of such books.
 - (c) The Balance Sheet, Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder.
 - (e) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2021 from being appointed as a Director in terms of Section 164(2) of the Companies Act, 2013.
 - (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- B".



- (g) As required by Rule 11 of the Companies (Audit and Auditors) Rules, 2014 issued by the Central Government of India in terms of clause (j) of sub-section (3) of section 143 of the Act, in our opinion and to the best of our information and according to the explanation given to us:
- (a) The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 43 to the standalone Ind AS financial statements.
- (b) The Company has made provision, as required under the applicable law and accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
- (c) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

- 3. With respect to the other matters to be included in the Auditor’s Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration for the year ended 31st March, 2021 has been paid/provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act.

For **SCV & Co. LLP**
Chartered Accountants
Firm Reg. No: 000235N/ N500089

Abhinav Khosla
Partner
Membership No.: 087010
ICAI UDIN:21087010AAAADI9757

Place: Noida
Dated: June 28, 2021



Annexure - A To The Independent Auditor's Report

The Annexure referred to in Independent Auditors' Report to the members of the Company on the standalone Ind AS financial statements for the year ended 31st March 2021, we report that:

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) According to the information and explanations given to us, fixed assets verification has been conducted by the management during the year. All the fixed assets of the Company have not been physically verified by the management during the year but there is a regular phased programme of physical verification which, in our opinion, is reasonable having regard to the size of the Company and nature of its fixed assets. No material discrepancies were noticed on such verification..
- (c) According to information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the company.
- ii. Physical verification has been carried out by the Management in respect of inventory at reasonable intervals during the year. In our opinion the frequency of verification is reasonable. According to the information and explanations given to us, discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been dealt with in the books of account.
- iii. According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not granted any loans, secured or unsecured, to firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. The Company during the year and in earlier year has granted unsecured loan to two subsidiaries covered in the register maintained under section 189 of the Companies Act, 2013.
 - (a) In our opinion and according to the information and explanations given to us, the terms and conditions of unsecured loans given by the Company during the year are not prima facie prejudicial to the interest of the Company.
 - (b) As explained to us and as per records, the schedule of repayment of principal and payment interest has been stipulated and no repayment of principal and payment of interest was due during the year, as per terms and conditions of loans given during the year and in earlier years.
 - (c) As per information and explanations given to us, and as per our examination of records, since no re-payment of principal and payment of interest was due during the year, therefore no amount of principal or interest was overdue at the year end.
- iv. In our opinion and according to the information and explanations given to us, the Company has not made investments, given security which is covered under provisions of section 185 and 186 of the Companies Act, 2013. In respect of loan given and guarantee provided during the year, the same in our opinion is in compliance of section 185 and 186 of Companies Act, 2013.
- v. According to the information and explanations provided by the management, we are of the opinion that the Company has not accepted any deposits from public covered under section 73 to 76 or any other relevant provisions of the Companies Act, 2013 and rules framed there under. Accordingly, the paragraph 3(v) of the Order is not applicable to the Company.
- vi. We have broadly reviewed the cost records maintained by the Company pursuant to the sub-section (1) of section 148 of the Companies Act, 2013, specified by the Central Government and are of the opinion that, prima facie, the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- vii. (a) According to the information and explanations given to us and records of the Company examined by us, in our opinion, the company is regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Goods and Services Tax, Income-tax, Sales-tax, Service tax, Value Added Tax, Customs Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Goods and Services Tax, Income-tax, Sales-tax, Service tax, Value Added Tax, Customs Duty, Excise Duty, cess and other material statutory dues were outstanding, as on 31st March, 2021 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 are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, goods and services tax or value added tax which have not been deposited on account of any dispute except as given under:

Name Of the Statute	Nature of Due	Amount Involved (₹ in lakhs)	Amount Unpaid (₹ in lakhs)	Period to which it relates	Forum where Dispute is pending
Central Excise Act	Excise Duty	5.00	5.00	1994-95	Hon'ble High Court, Allahabad
Central Excise Act	Excise Duty	8.00	8.00	1994-96	Tribunal New Delhi
Central Excise Act	Excise Duty	3.57	3.57	2011-12	Assistant commissioner, Yamunanagar
Central Excise Act	Excise Duty	0.37	0.37	2015-17	Superintendent (Yamunanagar)
Central Excise Act	Excise Duty	15.03	15.03	2016-17	Assistant Commissioner (Yamunanagar)
Central Excise Act	Excise Duty	21.67	21.67	2017-18	Additional Commissioner (A) Panchkula
Central Excise Act	Excise Duty	7.18	7.18	2017-18	Superintendent CGST Division
Central Excise Act	Excise Duty	5.55	5.55	2019-20	Additional Commissioner Panchkula
Local Area Tax	Local Area Tax	22.00	22.00	2006-07 to 2015-16	Hon'ble Supreme Court of India
Water Cess	Water Cess	17.96	17.96	1992-93	Hon'ble Supreme Court of India
Goods and services tax act	Goods and services tax	2.62	-	2020-21	Addl. Commissioner Appeal, commercial tax MP
Goods and services tax act	Goods and services tax	3.09	-	2020-21	Asstt. Commissioner
Sales Tax Act	Sales Tax	4.00	4.00	1987-88	Dy Comm. of Commercial Taxes(appeals), Kolkata
Sales Tax Act	Sales Tax	61.00	61.00	1994-95	Dy Comm. of Commercial Taxes(appeals), Kolkata
Sales Tax Act	Sales Tax	34.00	34.00	1995-96	Dy Comm. of Commercial Taxes(appeals), Kolkata
Sales Tax Act	Sales Tax	9.02	9.02	1993-94	Sales Tax Tribunal, Orissa
Sales Tax Act	Sales Tax	17.00	17.00	1995-96	Sales Tax Tribunal, Orissa
Sales Tax Act	Sales Tax	5.00	5.00	1996-97	Sales Tax Tribunal, Orissa
Sales Tax Act	Sales Tax	18.30	16.67	2009-10 to 2013-14	Joint Commissioner of Sales Tax
Sales Tax Act	Sales Tax	0.82	0.82	2006-07	Dy Comm. Of Commercial Taxes, Tamil Nadu.
Sales Tax Act	Sales Tax	87.48	87.48	2010-11	Commercial Tax Tribunal
Sales Tax Act	Sales Tax	53.77	21.33	2013-14	High Court, Lukhnow
Sales Tax Act	Sales Tax	93.91	88.91	2014-15	Commercial Tax Tribunal
Sales Tax Act	Sales Tax	110.31	110.31	2015-16	Commercial Tax Tribunal
Sales Tax Act	Sales Tax	12.31	12.31	2015-16	Commercial Tax Tribunal
Sales Tax Act	Sales Tax	48.47	45.47	2016-17	Addl. Commissioner Grade-2 Appeals
Sales Tax Act	Sales Tax	8.19	8.19	2016-17	Addl. Commissioner Grade-2 Appeals
Sales Tax Act	Sales Tax	1.30	-	2020-21	Addl. Commissioner Appeal, Commercial tax UP
Sales Tax Act	Sales Tax	3.26	3.26	2014-15	Dy Comm. Of Commercial Taxes, Kerala.
Sales Tax Act	Sales Tax	0.58	0.58	2016-17	Dy Comm. Of Commercial Taxes, Kerala.
Sales Tax Act	Sales Tax	59.32	53.10	2009-10	Assistant Commissioner (WC) Department of Commercial Taxes, Ernakulam
Sales Tax Act	Sales Tax	0.37	0.33	2010-11	Assistant Commissioner (WC) Department of Commercial Taxes, Ernakulam
Sales Tax Act	Sales Tax	68.62	68.62	2014-15	Joint Commissioner of SGST, Kochi
Sales Tax Act	Sales Tax	1.28	0.93	2015-16	Excise & Tax Officer, Punjab
Sales Tax Act	Sales Tax	2.61	1.96	2015-16	Excise & Tax Officer, Punjab
Sales Tax Act	Sales Tax	3.54	2.66	2015-16	Excise & Tax Officer, Punjab
Sales Tax Act	Sales Tax	21.67	17.53	2013-14	Dy. Commissioner of Sales Tax, Mumbai
Sales Tax Act	Sales Tax	71.06	70.44	2015-16	Dy. Commissioner of Sales Tax, Mumbai

Name Of the Statute	Nature of Due	Amount Involved (₹ in lakhs)	Amount Unpaid (₹ in lakhs)	Period to which it relates	Forum where Dispute is pending
Sales Tax Act	Sales Tax	8.31	7.95	2015-16	Dy. Commissioner of Sales Tax, Mumbai
Sales Tax Act	Sales Tax	559.88	559.88	2016-17	Deputy Commissioner, State Tax, LTU Mumbai
Sales Tax Act	Sales Tax	3.54	3.54	2016-17	Deputy Commissioner, State Tax, LTU Mumbai
Sales Tax Act	Sales Tax	44.13	30.89	2015-16	Joint Commissioner, Appeal
Sales Tax Act	Sales Tax	6.00	6.00	1971-73	Commissioner Sales Tax, Lucknow
Finance Act, 1994	Service Tax	60.31	60.31	2012-13	Tribunal, Ahmedabad
Finance Act, 1994	Service Tax	19.66	19.66	2014-15	Additional Commissioner (Audit), C.Ex., Surat. Order awaited.
Finance Act, 1994	Service Tax	100.54	100.54	2015-16 & 2016-17	Commissioner, Central goods and service tax (Appeals Noida)
Custom Act	Custom Duty	3.28	3.28	2017-18	Tribunal, New Delhi
Custom Act	Custom Duty	563.8	513.65	2017-18	Tribunal, Ahmedabad

- viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowing to any financial institution, bank or government. The Company has not issued any debentures.
- ix. In our opinion and 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) during the year. Based on our audit procedures and according to information and explanations given by the management, the term loans were applied for the purpose for which they were obtained.
- x. According to the information and explanations given to us, no fraud by the Company or any material fraud on the Company by its officers or employees has been noticed or reported during the year.
- xi. According to the information and explanations given to us and based on our examination of records of Company, the Company has paid / provided for the managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- xii. According to the information and explanation given to us, the Company is not a Nidhi Company. Therefore the provisions of paragraph 3(xii) of the Order are not applicable to the Company.
- xiii. According to the information and explanations given to us, and based on our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Companies Act, 2013. Further the details of the transactions have been disclosed in the standalone Ind AS financial statements as required by the applicable accounting standards.
- xiv. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, provisions of paragraph 3(xiv) of the Order are not applicable to the Company.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him as referred to in section 192 of the Companies Act, 2013. Accordingly, provisions of paragraph 3(xv) of the Order are not applicable to the Company.
- xvi. According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, provisions of paragraph 3 (xvi) of the Order are not applicable to the Company.

For **SCV & Co. LLP**
Chartered Accountants
Firm Reg. No: 000235N/ N500089

Abhinav Khosla
Partner

Place: Noida
Dated: June 28, 2021

Membership No.: 087010
ICAI UDIN:21087010AAAADI9757



Annexure - B To The Independent Auditor's Report

[Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of the independent Auditor's Report of even date to the members of Isgec Heavy Engineering Limited on the standalone Ind AS financial statements for the year ended 31st March, 2021]

REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 ("THE ACT")

We have audited the internal financial controls over financial reporting of Isgec Heavy Engineering Limited ("the Company") as of 31st March 2021 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by Institute of Chartered Accountants of India 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 standalone Ind AS financial statements, whether due to fraud or error.

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

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

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

generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

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

OPINION

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2021, 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 **SCV & Co. LLP**
Chartered Accountants
Firm Reg. No: 000235N/ N500089

Abhinav Khosla
Partner

Place: Noida
Dated: June 28, 2021

Membership No.: 087010
ICAI UDIN:21087010AAAADI9757

