



भारत इलेक्ट्रॉनिक्स
BHARAT ELECTRONICS

भारत इलेक्ट्रॉनिक्स लिमिटेड

(भारत सरकार का उद्यम, रक्षा मंत्रालय)

पंजीकृत कार्यालय :

आउटर रिंग रोड, नागवारा, बेंगलूर - 560 045, भारत

Bharat Electronics Limited

(Govt. of India Enterprise, Ministry of Defence)

Registered Office : Outer Ring Road,
Nagavara, Bangalore - 560 045, INDIA.

CIN : L32309KA1954GOI000787

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To

Manager (Listing)

National Stock Exchange of India Ltd.,
Exchange Plaza, Plot No. C/1,G Block,
Bandra-Kurla Complex, Bandra (E)
Mumbai – 400 051

No. 17565/6/SE/NSEC/SEC

7th April 2017

Dear Sir/Madam,

Sub: Disclosure under regulation 30(1)/(4)(i)(c) of SEBI (LODR) Regulations, 2015: Intimation about receipt of Sales Tax Demand Notices from Deputy Commissioner of Commercial Taxes, Bangalore, Karnataka.

Pursuant to Regulation 30(1)/(4)(i)(c) of SEBI (LODR) Regulations, 2015, please find enclosed herewith a disclosure note pertaining to Intimation about the receipt of Sales Tax Demand Notices from Deputy Commissioner of Commercial Taxes, Bangalore, Karnataka.

The above said disclosure has been approved by the Board of Directors at its meeting held on 7th April, 2017.

Please take note of the aforesaid information on record.

We further wish to inform you that since the subject matter falls under the category of litigation/disputes and keeping in view the price sensitivity as well as materiality factor, the management of the Company had after obtaining legal/ expert opinion on the case, referred the matter to the Board of the Company, subsequent to which, the Board in its meeting held on 7th April, 2017 after detailed deliberations, advised for disclosing the facts/above subject matter to the Stock exchanges under Regulation 30(1)/(4)(i)(c) of SEBI (LODR) Regulations, 2015.

Thanking you,

Yours faithfully,

For Bharat Electronics Ltd.

S. Sreenivas

Company Secretary

Encls: As above

BHARAT ELECTRONICS LIMITED
Bangalore

Sub: Intimation about receipt of Sales Tax Demand Notices from Deputy Commissioner of Commercial Taxes, Bangalore, Karnataka – Disclosure to Listed Stock Exchanges.

The Bangalore Unit of the Company has received Demand Notices for Rs. 807.96 Crores [comprising of differential Tax of Rs. 384.14 Cr, interest of Rs. 385.22 Cr and penalty of Rs.38.60 Cr] from Deputy Commissioner of Commercial Taxes (DCCT), Karnataka by re-opening already completed assessments for the Financial Years 2008-09 to 2013-14 disputing goods sold at lower rate of sales tax and seeking higher rate of sales tax without taking cognisance of the previous orders of the Appellate Authorities in favour of BEL. Further, the detailed technical description and justifications submitted by BEL with respect to the nature of the goods sold have not been considered by VAT Authorities. In addition, demand notice has been received for the FY 2015-16 for Rs.42.84 Crores [comprising of differential Tax: Rs.33.60 Cr, interest: Rs. 5.96 Cr and penalty: Rs.3.27 Cr] for similar reasons. The company has filed appeals with JCCT (Appeals), Karnataka Commercial Tax Dept, Bangalore challenging the demand.

The company had filed a writ petition in the High Court of Karnataka and as directed by the Honourable High Court of Karnataka, BEL has paid 10% of the demand [Rs.85.08 Cr] as deposit and furnished Bank Guarantees for 20% of the demand [Rs.170.16 Cr] till the disposal of appeals.

BEL is a registered dealer under the Karnataka Value Added Tax Act, 2003 ('KVAT Act') and also registered under the Central Excise Act, 1944. The company is duly discharging applicable taxes and duties on the manufacture and/or sale of goods. The goods manufactured by the company are classified under the relevant Chapter Headings of the Central Excise Tariff Act, 1985.

For the purpose of lower rate of sales tax (i.e. 4% / 5% / 5.50%), the State of Karnataka in terms of Entry 53 of the Third Schedule of K-VAT Act has notified 'IT Products including telecommunication equipments' vide Notification No. FD 116 CSL 2006 (9) dated 31.03.2006 and Notification No. FD 116 CSL 2006 (16) dated 06.04.2006, which are amended from time to time. The goods are notified under the said notifications with reference to corresponding chapter heading/sub-heading of the CET Act (hereinafter referred to as 'Central Excise Tariff Heading' (CTH)).

The Company has classified the goods manufactured by it under the relevant entries of the aforesaid notification, on the basis of the CTH classification, and discharged VAT @ 4%/5%/5.5 % on sale of said products to customers. Since Contracts invariably provide for re-imburement of taxes at actuals, there is no reason for the company to pay taxes at lower rates.

The Sales Tax Authorities have arbitrarily reopened completed assessments for the years 2008-09 to 2013-14 rejecting the classification with respect to turnover of BEL BG Complex (comprising of local and inter-state sales) that was subjected to VAT/CST at the rate of 4%/5%/5.5% under Entry 53 of III Schedule to K-VAT Act. The sales tax authorities have subjected the said sales to VAT/CST at the rate of 12.5%/14%/14.5% as unscheduled commodities. The said notice was issued without assigning proper reasoning in support of the rejection of our classifications, which were accepted by Central Excise Authorities over the years.

The Company has obtained legal and expert opinions from practising professionals which supports the stand of the company on the classifications done.

The Company has been paying all taxes promptly and is taking all the legal steps necessary to defend the case. The management, based on the opinions received and its internal assessments, is confident that it has a strong case in its favour.
