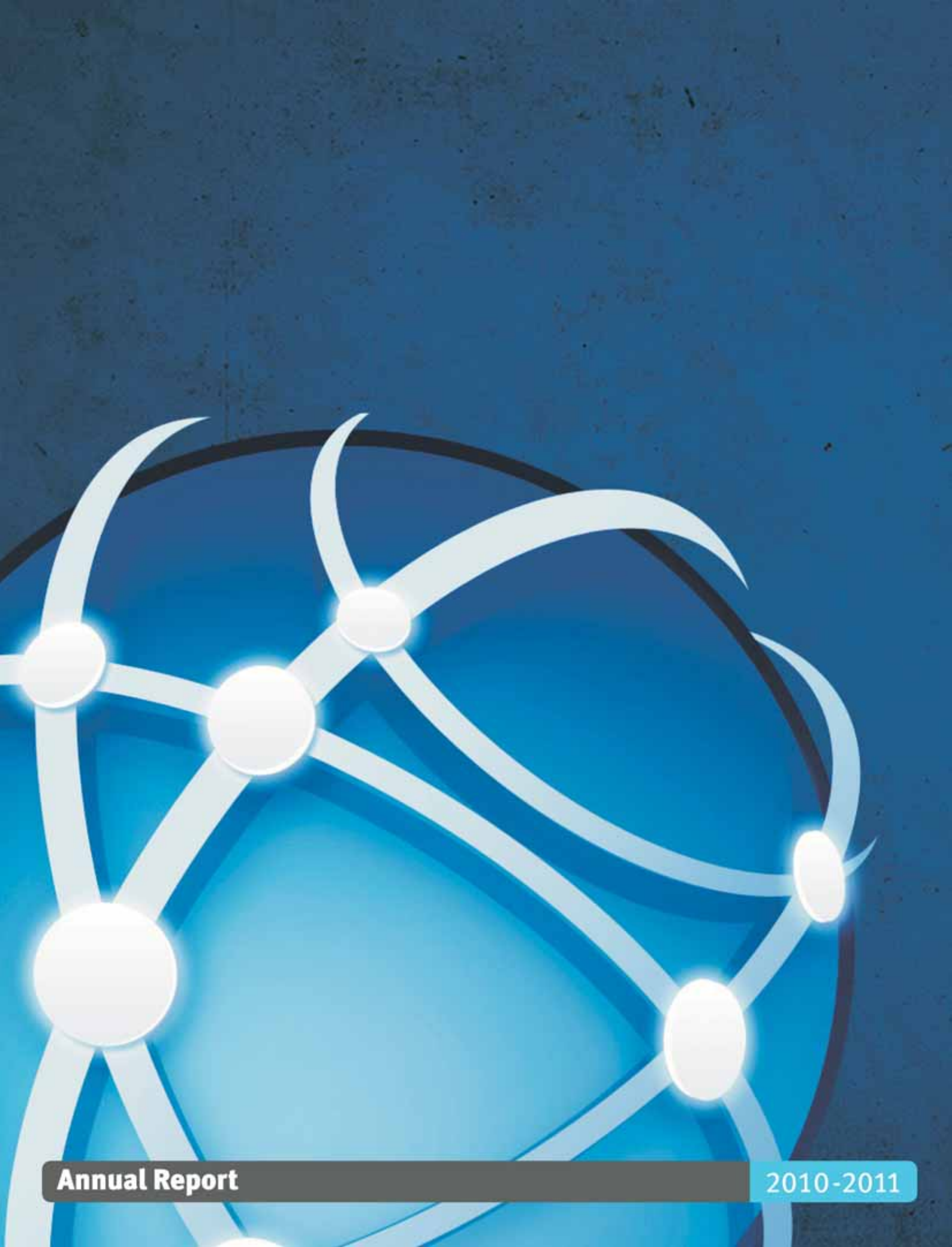


**Beyond 50 years**





**Annual Report**

2010-2011

# Corporate information

## **Deepak Khaitan**

*Executive Chairman*

## **Directors**

Aditya Khaitan  
Virendra Kumar Verma  
Utsav Parekh  
Amritanshu Khaitan  
Subir Ranjan Dasgupta  
Asim Kumar Barman  
Sudipto Sarkar  
PH Ravi Kumar  
Prashanta Kumar Chandra  
*Wholetime Director & COO*  
Prabir Ghosh  
*Wholetime Director & Group CFO*

## **Company Secretary**

Dibakar Chatterjee

## **Bankers**

Bank of India  
AXIS Bank Limited  
Canara Bank  
ICICI Bank Limited  
ING Vysya Bank Limited  
IDBI Bank Limited  
Indian Overseas Bank  
Oriental Bank of Commerce  
State Bank of India  
The Karur Vysya Bank Limited  
UCO Bank  
United Bank of India  
Union Bank of India

## **Registered Office**

4 Mangoe Lane 7th Floor  
Kolkata 700 001  
T +91 33 2213 8901-05  
F +91 33 2230 3519

## **Corporate Office**

Ecospace 11F/12 Campus 2B  
(Old Plot No AA 11/ Blk3)  
New Town Rajarhat North 24 Parganas  
Kolkata 700 156 India  
T +91 33 3014 1111/ 6628 1111  
F + 91 33 3014 2277/ 6628 2277

## **Auditors**

Lovelock & Lewes

## **Solicitors**

Khaitan & Co  
SK Sawday & Co

## **Registrars & Share Transfer Agents**

Meheswari Datamatics Private Limited  
6 Mangoe Lane 2nd Floor  
Kolkata 700 001  
T 2243 5029/5809



# Contents



Beyond 50 years of Engineering Excellence	3
Beyond Success	4
Business Verticals	4 - 5
Four Pillars of MBE	6
New Business Ventures	6
MBE Subsidiaries	7
Financial Achievements	8
Chairman's Letter	9
Directors' Report	10 - 16
Annexure A to the Directors' Report <a href="#">Conservation of Energy etc.</a>	17
Annexure B to the Directors' Report <a href="#">Management discussion and analysis</a>	18 - 19
Annexure C to the Directors' Report <a href="#">Financial information of Subsidiaries</a>	20
Annexure D to the Directors' Report <a href="#">Persons constituting Group etc.</a>	21
Annexure E to the Directors' Report <a href="#">Corporate Governance</a>	22 - 32
Auditors' Certificate on Corporate Governance	33
Auditors' Report & Annexure on Standalone Accounts	34 - 37
Standalone Accounts	38 - 60
Standalone Cash Flow Statement	61 - 62
Statement regarding Subsidiary Companies	63
Balance Sheet Abstract	64
Auditor's Report on Consolidated Accounts	65
Consolidated Accounts	66 - 85
Consolidated Cash Flow	86 - 87

# Beyond 50 years of Engineering Excellence

“In order to succeed, your desire for success should be greater than your fear of failure.” –Bill Cosby

McNally Bharat Engineering celebrates its 50 years of engineering excellence. Fundamentally passionate and ethically contemporary, this organisation has successfully crossed all the hurdles of the golden marathon.

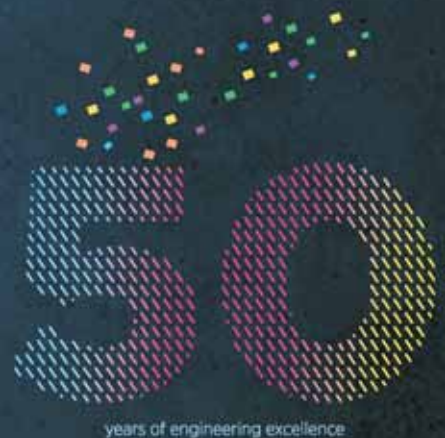
The road of exploration, innovation, rising above the ordinary is often less traversed. But we believe it is more rewarding. Our celebration of 50 eventful years is not only ours, it carries with it the proof that no pinnacle is unreachable for the human mind and human imagination. That the combination of integrity and innovation has been and always will be a foolproof formula for success.

MBE had a very humble beginning way back in 1961. In a serene township at Kumardhubi, near Dhanbad, as the Indian arm of McNally Pittsburgh, USA. At that time, we used to manufacture equipment for the coal and mining industry. And soon became a name to reckon with, in the league of Indian engineering firms.

Today we have grown into a large multi-product, multi-location, multi-dimensional group. And at present we are top-notch EPC project implementers with over 300 projects under our belt. They cater to diverse sectors... Power, Steel, Coal & Mining, Ports, Aluminium, Material Handling, Mineral Processing and other infrastructure sectors. We access worldclass technology through strategic tie-ups with the best technology providers around the globe.

MBE has been declared as the fastest growing company (Material Handling) by a Construction World Survey in 2010. In addition, MBE has received numerous Safety Awards at different project sites. We have a strong presence in manufacturing through our subsidiary company McNally Sayaji Engineering Limited that manufactures a wide range of equipment for all core sector industries. The four plants are at Kumardhubi, Asansol, Bangalore and Vadodara. The latest additions to our manufacturing base are at Kharagpur in India and Cologne in Germany, after the acquisition of the CMT Division of KHD Humboldt Wedag.

Acquiring the Coal & Minerals Division of KHD Humboldt Wedag in 2009 made us a global leader in Coal & Mineral Processing with operations in Germany, South Africa, China, Russia, South America and Indonesia, besides India. Another subsidiary, EWB Kornyezetvedelmi Kft, Hungary is among the leading Pneumatic Conveying and Ash Handling solution providers in the world.



# Beyond Success

Over these 50 years, engineering excellence earned us trust among consumers. Our expertise in the core sectors have made us an engineering giant. Our relentless passion and turnaround speed have received global acclaim.

In 2009, we moved to a 160,000 sqft office at Ecospace, New Town, Kolkata. Ecospace is a green building with all the facilities a modern day corporate should be proud of. It is India's first LEED Pre-certified Platinum Business Park. It is a significant move on our part and it is much more than a simple change in location. The change is indicative of our future course and the way people perceive us.

MBE invests significantly in manpower and human resources. We understand that an organisation is made up of its people. Hence we induct young engineers from the best technical institutes in India every year. A centre for engineering excellence has been set up for implementing a design automation platform with PLM & 3D Modeling Analysis Software.

In 2009, we successfully implemented Oracle ERP across all units and project sites to improve our operational efficiency and deliver improved customer service.

## Success Pointers

- Customers first approach.
- A constant endeavour towards customer satisfaction and enhancement of service abilities.
- Uncompromising quality of our products and services.
- Achieving a high degree of engineering excellence and project management skills.
- Executing projects within committed time.
- Introducing worldclass technology while implementing projects.
- Enduring, long-term partnerships with stakeholders like suppliers and contractors.
- A keen desire to develop the right human resources.

# Business Verticals

## Power Projects Division

### Balance of Plant (BOP)



We are known for our execution capability in BOP in thermal power stations like coal handling plants, ash handling systems, water management systems, piping, electric substation, fire fighting, switchyard & power distribution, instrumentation & automation and so on.

### Coal Handling Plants (CHPs)



We are proud to execute one of the first cross-country Coal Conveying System for the Orissa State Electricity Board. We have a unique record in Coal Handling Plants, having executed over 100 such projects in the last 50 years.

### Ash Handling



We forayed into Ash Handling Systems for thermal power stations after acquiring EWB, Hungary, a world leader with a strong presence in Europe and South East Asia. We are considered a leader in handling powdery material using Mechanical, Hydraulic, Pneumatic Dense Phase and Lean Phase Transport along with storage and unloading.

### Water Projects



MBE has left its mark as a successful implementer of EPC Projects for River Water Intake Systems, Pre-treatment Plants, Filtration Plants and Softening Plants. We have executed a number of Water Transmission and Distribution Projects for Tamil Nadu Water Supply & Drainage Board, Ahmedabad Municipal Corporation, RUIDP in Jodhpur, Ajmer and others.

### Customer Services



We are a trusted provider of O&M services in Power Plants, Mining & Material Handling. Our Operation and Maintenance services include complete Material Handling and Ash Handling Systems for Thermal Power Stations, Conveyor System for Mining and Raw Material Handling Plants and Heavy Stockyard Bulk Cargo Machinery.

## Steel Mining & Port Division

### Steel



Our strategic tie-ups with global technology providers allow us to execute quality high-end projects, such as Sinter Plants, By Product Plants, Material Handling.

### Port



We have ventured into surface mining, stockyard equipment and manufacturing port and shipyard cranes. Technology providers include Kone Cranes, Poltegor and Famac.

### Mining



The Mining SBU in the coal sector is responsible for Washeries, Beneficiation & Preparation Plants. In the Iron Ore

sector the SBU executes Beneficiation & Pelletisation Plants. We have constructed six major coal washeries in the country, which are still operational.

### Material Handling



The SBU has built over the years a number of Material Handling Plants to handle iron ore, bauxite, limestone, sinter, rock phosphate, non-ferrous ores, dolomite, fluorspar, foundry sand etc.

## Process Projects Division



### Non-Ferrous Mineral Processing

We have been pioneers in mineral processing plants in India. Minerals processed include Lead, Zinc, Copper, Uranium, Iron, Fluorspar, Gold, Rock Phosphate etc.

### Aluminium sector

MBE has been involved in executing packages in Refinery and Smelter sections in association with international technology providers. We have executed projects in Bauxite Grinding & Storage, Evaporation Package for Aluminate Liquor Concentration, Green Anode Plant, Carbon Recycling, Bath Processing etc.

# Four Pillars of MBE

## Design Engineering

MBE has an exceptional team of over 500 engineers who provide solutions to a wide range of specialisations ranging from Civil, Structural, Mechanical Process, Electrical, Utility, Instrumentation and Automation. MBE is equipped with latest software like Auto CAD 3D, STADDPRO, XSTEEL, CAESAR, ANSYS and so on.

## Manufacturing

Four factories located at Kumardhubi, Asansol, Bangalore & Vadodara produce a wide range of products including Crushing & Screening equipment, Grinding Mills, Material Handling equipment, Open Cast Mining equipment, Port & Shipyard Cranes, Mineral Processing Plants, Pressure Vessels, Heat Exchangers and Coal Washeries.

## Project Management

We value our esteemed team of project managers who lead projects. We are one of the few companies in India who use Primavera enterprise applications for Project Management. Primavera has been seamlessly integrated with Oracle E-Business. All project sites are connected through VPN and VSAT network. Supply Chain Management Department ensures timely procurement and supply of equipment and materials at project sites.

## Construction Capability

Over 900 engineers are employed at various construction sites. We have an unmatched in-house construction capability with own equipment and skilled manpower.

# New business ventures

As a part of MBE's diversification and growth plans we have entered new business segments.

## Cement

MBE has formed a consortium with KHD Humboldt Wedag (Cement Division) to offer complete solutions for Cement Plants on a turnkey basis.

Key equipment for cement plants like the Roller Presses are manufactured by Cologne Engineering, Germany, which was acquired by MBE in 2009.

## Oil & Gas

We focus primarily on the Civil & Mechanical Packages and plan to execute EPC projects in refineries. A couple of orders have been received.

## Nuclear Power Group

The Nuclear Group aims to obtain equipment orders and EPC projects in Non Nuclear Island such as BOP for the forthcoming Nuclear Power Plants.

## International Group

The International Group has been set up to primarily focus on Africa, Indonesia, South America & Middle East for EPC projects and also in countries where MBE CMT Group has a strong presence to leverage the Humboldt brand and customer base.



# MBE subsidiaries

## McNally Sayaji Engineering Company Limited



New factory coming up at Savali, Vadodara

In 2008, MBE acquired Sayaji Iron & Engineering Company Limited, Vadodara, which has been manufacturing Crushers & Screens since 1943. Subsequently, McNally Sayaji Engineering Limited (MSEL) was formed by the merger of Sayaji Iron & Engineering Company with the Products Division of McNally Bharat Engineering Company Limited.

With factories in Kumardhubi, Asansol, Vadodara and Bangalore, MSEL is one of the country's leading manufacturers of Crushing, Screening, Grinding, Material Handling and other heavy equipment serving Coal, Mining, Mineral Processing and other core sectors of the economy.

## The COAL & MINERAL TECHNOLOGIES Division (MBE - CMT)

Operates through four entities



- **MBE Coal & Minerals Technology GmbH** Cologne is responsible for

markets in Europe, North & South America, Russia and China.

- **MBE Minerals SA Pty Limited**, South Africa is responsible for the Africa market.
- **McNally Humboldt Wedag Minerals India Private Limited** is responsible for the Indian market. The company has a factory in Kharagpur.
- **MBE Cologne Engineering GmbH** is a manufacturing unit based in Cologne, primarily making equipment for the Cement Industry.

MBE CMT has the process technology to design mineral beneficiation plants and coal washeries using both Heavy Media and Jigging Processes.

### Core Technologies

- Global leader in Jigging Technology under 'BATAK JIG' & 'ROMJIG' brands.
- JONES high intensity magnetic separators & PERMOS medium intensity magnetic separators.
- PNEUFLOT pneumatic floatation, suitable for all kinds of minerals.
- PALLA vibrating mills for fine grinding.

## EWB Kornyezetvedelmi Kft



One of the leading Pneumatic Conveying and Ash Handling solution providers in the world, having over 45 years experience in Bottom Ash, Coarse Ash and Fly Ash Handling Technologies.

A pioneer in the field of Dense Phase Pneumatic Conveying Systems, EWB has built 40 such plants in the world. EWB Kft has executed over 75 projects till date using either Hydraulic Wet System or Pneumatic Dry System.

## McNally Bharat Infrastructure Limited



The company has been primarily set up as an independently run Design Engineering Consultancy Division to work on various engineering and infrastructure projects in India and abroad.

# Financial Achievement

Five Year Financial Highlights		Rupees (Crore)				
<b>Financial Achievement</b>						
Item	2007	2008	2009*	2010*	2011*	
Total Income	510.00	550.00	1139.70	1815.45	2270.75	
EBIDTA	30.82	43.44	127.69	148.70	178.51	
PBT	20.08	32.30	81.98	89.75	107.02	
PAT	17.50	22.40	53.18	56.66	67.27	
Gross Dividend Payout	3.13	3.70	4.72	5.49	7.31	
<b>Balance Sheet</b>						
Item	2007	2008	2009*	2010*	2011*	
Share Capital	26.78	28.68	31.09	31.09	31.09	
Reserves	69.48	129.30	176.64	229.39	288.55	
Net Worth	88.65	152.78	207.73	262.86	321.94	
Loan Funds	117.28	62.64	213.50	348.49	549.73	
Capital Employed	214.25	221.77	447.81	682.17	947.94	
Net Fixed Assets	56.56	80.52	236.89	324.90	375.88	
Net Working Capital	153.07	126.54	209.35	354.53	542.73	
<b>Ratios &amp; Statistics</b>						
Item	2007	2008	2009*	2010*	2011*	
EBIDTA/Total Income(%)	5.94	7.89	11.20	8.19	7.86	
PBT/Total Income (%)	3.87	5.87	7.19	4.94	4.71	
Debt:Equity Ratio	1.32:1	0.40:1	1.03:1	1.33:1	1.71:1	
ROCE (%)	15.11	15.40	28.51	21.80	18.83	
RONW (%)	22.22	20.42	44.04	40.37	40.34	
Current Ratio (Times)	1.65	1.29	1.29	1.27	1.35	
Earnings per Share	6.60	8.10	14.01	15.92	20.38	

## Note

ROCE ~ Return on Capital Employed

RONW ~ Return on Net Worth

\*Consolidated Figure

# From the Chairman's Desk



## Dear All,

During 2007-09, the world witnessed a financial crisis, and the ripple effect continues. But in 2010-11, India made a remarkable recovery.

The GDP grew by 8.6%, whereas the manufacturing and construction sectors saw significant growth rates by 8.8% and 8.0% respectively. We expect the economic growth to sustain at a healthy rate of around 8.0% in the last year of the Eleventh Five Year Plan ending in 2012.

## What a way to celebrate our 50th year!

Travelling from achievement to achievement. Sustaining passion to explore. Innovate. And go beyond. Foraying into new business sectors have established MBE as an engineering force to reckon with. The talent pool of engineers and managers are more than fulfilling expectations as is the continued support of our trusted vendors and contractors. MBE continues to acquire world class technology through strategic tie-ups and acquisitions to remain a leader in its businesses.

The Thermal Power sector remains our main growth driver, a 74,000 MW addition in coal based power generation capacity is expected in the Twelfth Plan period (2012-17). Based on an assumption of average GDP growth of 8% the demand for steel is expected to grow from 67 million tons in 2010 to 142 million tons in 2018. A significant part of the capacity addition will be from the Private sector. As per the Planning Commission, the investment in Infrastructure in the Twelfth Plan period will double to Rs 41 lakh crore. We at MBE are very bullish about the future.

Last year has been a significant year for the MBE group. We recorded highest ever group turnover of Rs 2270 crore. We got a second order for a BOP from MP Power Generating Company Limited, valued at Rs 827 crore. We also got a significant export order from Vedanta, Konkona Mines, Zambia. We have made a breakthrough in the Oil & Gas sector by bagging a couple of orders.

We have major plans to increase our presence globally. MBE have opened an office in South Africa and have further plans to have a presence in Indonesia & South America. The Coal & Mineral Technologies Group, operating out of Germany, South Africa and India, have opened offices last year in Brazil, Indonesia, China and Russia.

McNally Sayaji Engineering Limited, R&D Division successfully developed Mobile Crushing & Screening plants, which have a very good potential from the Construction & Mining industry. MSEL is putting up a new factory in Vadodara, which will be operational this year. Once this unit comes up, the capacity in Vadodara will be trebled.

We are taking a number of measures to strengthen our ability to achieve our goals. Business Processes and Operations are being made more robust with the help of renowned Consultants, KPMG. A KRA based Performance Management Process is in place. ERP implementation has taken place across HO and project sites as well. And more importantly, our sincerity and hard work have enhanced our confidence to help reach anything beyond engineering.



Deepak Khaitan  
Executive Chairman  
McNally Bharat Engineering Company Limited



# Directors' Report

# Directors' Report

Your Directors have great pleasure in presenting the Forty-eighth Annual Report together with audited statement of accounts for the year ended on March 31, 2011.

## Highlights

The key highlights of the operations of McNally Bharat Engineering Company Limited for the financial year 2010-11 over the previous year are:

- Total income increased by 19%
- Earnings before interest, depreciation and taxes increased by 31%
- Profit before tax increased by 38%
- Earnings per share increased by 38%

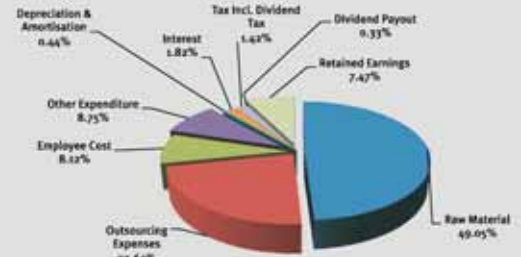
## Financial Results

PARTICULARS	Rs in Lakh	
	Standalone year ending March 31, 2011	Consolidated year ending March 31, 2011
Sales (net of excise) and other income	177,462	227,075
Earnings before Interest, Tax, Depreciation & Ammortisation (EBITDA)	11,609	17,850
Less: Interest & Finance Charges	3,410	4,864
Earnings before Depreciation, Tax & Ammortisation (EBDTA)	8,199	12,986
Less: Depreciation & Ammortisation	832	2,285
Profit before Tax	7,367	10,701
Less: Provision for Taxation (including Deferred Tax)	2,575	3,974
Profit after Tax and before Minority Interest	4,792	6,727
Less: Minority Interest & proportionate share of pre-acquisition profit adjusted with goodwill	-	390
Profit after Tax and Minority Interest	4,792	6,337
Amount brought forward from previous year	9,905	12,888
Profit available for Appropriations	14,697	19,225
Proposed for Dividend	622	622
Provision for Dividend Tax	80	109
Transfer to General Reserve	360	360
Balance carried forward to Balance Sheet	13,635	18,134

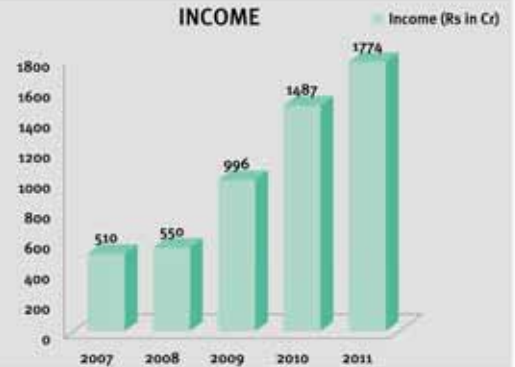
## Operations & Business Performance

Your Directors are pleased to report that 2010-11 turned out to be yet another excellent year during which your company achieved highest ever turnover and profits. The total income for the year was Rs 1,775 crore as against Rs 1,487 crore during the previous year.

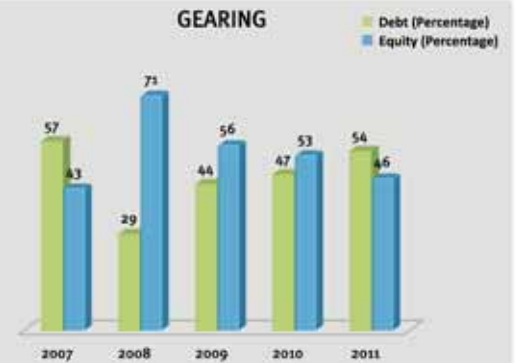
Distribution of Income (FY 2011)



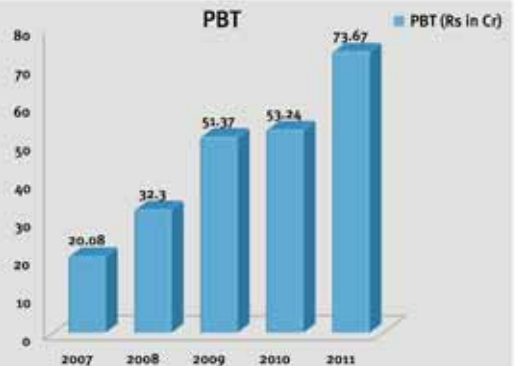
INCOME



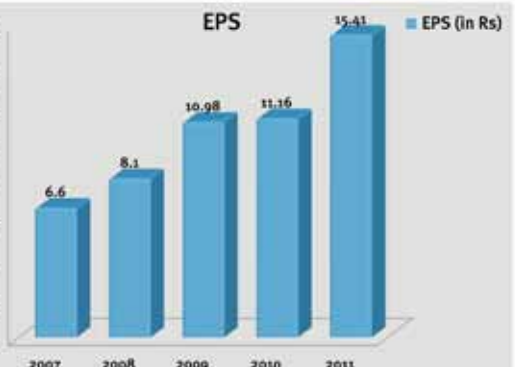
GEARING



PBT



EPS



Charts are based on standalone figures

# Order Book

Your company has an order backlog of over Rs 3,500 crore as on 31 March 2011. During the year your company bagged several significant orders as mentioned below, which are currently under execution.

- Balance of Plant from Madhya Pradesh Power Generation Company Limited (MPPGCL), for their Satpura Thermal Power Plant (2 X 250 MW).
- Interplant transportation facility for ores, coal, sinter and iron fines from SAIL, Rourkela Steel.
- 700 litre capacity Bucket Wheel Excavator for Neyveli Lignite Corporation.
- West Mill Copper Concentrator plant VEDANTA, Konkola Copper Mines, Zambia.
- East Mill Copper Concentrator plant & related floatation package for VEDANTA, Konkola Copper Mines, Zambia.
- Coal Handling Terminal for Marg Limited, Karaikal Port.
- Coal Handling Plant for Coke Oven Battery for SAIL, Rourkela Steel.
- HCSD Ash Handling system for VEDANTA, Talwandi Sabo Power plant.
- Ash Water circulation & treatment system, NTPC, Singrauli.
- 2 nos Electric Level Luffing crane for Goa Shipyard.
- Technological structures for SMS Meer for Universal Rail Mill project in Bhilai Steel Plant.
- Coal Grinding Plant structures for Tata Projects Limited for SAIL, Rourkela.
- Inside Battery Limit package from Essar Projects for IOCL refinery, Paradeep.

# Project Execution



During the year a large number of projects including 2 BOP projects were at various stages of execution. Some of the major projects which were completed in 2010-11:

- The Raw Material Handling Plant for IISCO, Burnpur.
- The Lead-Zinc Beneficiation Plant for SK Mines of HZL.
- The Uranium Beneficiation Plant for UCIL at Tumalapally.
- The Green Anode Plants 3 & 4 for Vedanta at Jharsuguda.
- Coal Handling Plant for Vedanta, Jharsuguda.
- Ash Handling, NTPC, Rihand.
- Ash Handling Plant for MSPGCL, Parli.
- Ash Handling Plant for MSPGCL, Paras.
- Ash Handling Plant for BHEL, Mejia.

# Activity Highlights

During the year we received a Rs 827 crore order for executing a Balance of Plant from MP Power Generating Company Limited. We also won two export project orders from Vedanta for their Konkola Copper Mines in Zambia. Your company also has made a

breakthrough in the Oil & Gas sector by procuring an EPC order for IOCL refinery coming up in Paradeep. Your company has ambitious plans to be a global player in Mineral Processing & Material



Handling and have opened an office in South Africa. This year your company has plans to open more offices in Indonesia and South America, who are having huge deposits of mineral resources.

Your company has entered into a co-operation & license agreement with Beijing Guodian Science & Technology Development Company Limited, China for Dry Bottom Ash Handling Systems.

Your company had appointed KPMG for valuable Advisory assistance in Business Process and Operations improvement for EPC business. Their scope of engagement covered Project Resource Planning & Deployment, Review of Project Manager Empowerment & Accountability, Re-designing Project Review & Control Processes and Developing the Risk Assessment Framework. Implementation of their recommendations is being carried out.

During the year your company obtained ISO 14001-2004 certification and NABL accreditation for the NDT (Non Destructive Testing) laboratory located in its premises.

In Human Resource Development we have implemented a robust Performance Management Process based on KRAs (Key Result Areas) and competencies.

## Subsidiaries

### McNally Sayaji Engineering Limited (MSEL)



During the year MSEL performed reasonably well in the backdrop of slow downturn, still affecting capital investment. During the year the company was able to maintain its activity level. However, the profit was impacted by increase in employee costs.

#### Some of the major orders received during the year:

- First order for 2 Skid Mounted Coal Crushing Plant, order value Rs 2.5 crore.
- First order for 2 stage Mobile Crushing & Screening Plant for aggregates, order value Rs 2.5 crore.
- Order from L&T (a/c Bhushan Steel) for 3 Rod Mills, order value Rs 10.5 crore.
- Order from BMM Ispat for 4 Ball Mills, order value Rs 9.5 crore.
- Order from Nuclear Corporation of India (NPCIL) for Main Airlock doors, auxiliary airlock doors & reactor building doors for RAPP 7, valued Rs 3.5 crore.

The new plant at Savli near Vadodara is under construction and is expected to be on stream in the current financial year. The new plant would significantly

increase the manufacturing capacity of MSEL. The in-house R&D department have successfully developed wheel mounted mobile crushing & screening plants and skid mounted coal sizers. These equipment have a huge market in Mining & Construction industry and MSEL can expect a good number of orders for these equipment in the current year and subsequent years.

## MBE Coal & Minerals Technology Business Segment

### McNally Humboldt Wedag Minerals India Private Limited



The Indian arm of the CMT business had achieved in 2010-11 a turnover of Rs 91.26 crore and PBT of Rs 6.6 crore.

Some of the major orders received during this period were:

- Coal Washery for SV Power Private Limited valued at Rs 3.2 crore.
- Modification jobs at Orissa Mining Corporation valued at Rs 2.5 crore. A number of projects were under execution during the year.

Some of the projects completed during the year:

- 600 TPH coal washery and 80 TPH coal crushing & screening plant for Bhushan Power & Steel, Rengali.
- Global Coal & Mining Private Limited. 300 TPH washery at Belpahar, Orissa and 400 TPH washery at Manguru, AP.
- ACC. 100 TPH washery at Bargarh.
- Ultratech. 300 TPH washery at Awarpur, Maharashtra and 400 TPH washery at Hirni, Chattisgarh.
- Washer package and disc filter package for Vedanta.
- 79 centrifuges supplied compared to 55 in last year.

The industrial Centrifuge business continues to grow and this trend is expected to continue in the coming years.

### MBE Coal & Minerals Technology GmbH, Cologne

The Turnover of the German entity for 2010-11 was Euro 36.3 Million (Rs 229 crore) and PBT was Euro 0.41 million (Rs 2.62 crore). The company has opened offices in China, Russia, Brazil & Indonesia for access to countries with high mineral deposits.

### MBE Minerals SA Pty Limited South Africa

The turnover of the South African entity for 2010-11 was Rand 90.16 Million (Rs 58 crore) and PBT was Rand 12.03 Million (Rs 7.8 crore).

## Subsidiaries

The Statement pursuant to Section 212 of the Companies Act, 1956 containing details of the Company's subsidiaries is attached. The Ministry of Corporate Affairs, Government of India issued a General Circular no 2/2011 dated February 8, 2011 by which it has provided an exemption to Companies from complying with Section 212 of the Companies Act, 1956, provided such companies publish the audited consolidated financial statements in the Annual Report. In terms of the said general exemption granted by the Central Government under section 212(8) of the Companies Act, 1956, the Audited Statements of Accounts and the Auditors' Reports thereon for the year ended March 31, 2011 along with the Reports of the Board of Directors of the Company's Subsidiaries have not been annexed. These documents would be made available upon receipt from any member of the Company interested in obtaining the same.

The Consolidated Financial Statements of the Company and its Subsidiaries, prepared in accordance with Accounting Standard AS 21, as notified in the Companies (Accounting Standards) Rules, 2006, form part of the Annual Report.

The accounts of the individual subsidiary companies shall be uploaded on the website of your Company.

## Dividend

In view of the Company's performance, the Board of Directors of your Company is pleased to recommend a dividend of Rs 2 (20%) per equity share of Rs 10 each (compared to 2009-10: Rs 1.50 per equity share of Rs 10 each).

The dividend will be tax free in the hands of the shareholders. The register of members and share transfer books will remain closed from September 17, 2011 to September 23, 2011 (both days inclusive).

## Insurance

The assets of the Company including building, shed, plant & machinery, etc are adequately insured.

## Health and Safety

Your company gives utmost importance to health and safety of the employees. Various measures are being taken at our site locations, such as:

- Daily safety inspection at site by Security Officers of each Project site.
- To identify unsafe acts & conditions and accordingly safety measures are taken on a daily basis.
- Regular safety training programs are conducted at sites for workmen.
- Safety promotion activities are carried out on an ongoing basis. Posters, Slogans, No Smoking signs, Safety barricades displayed prominently.
- Competition & contests on Safety are conducted for workmen and prizes distributed.

## Directors

Mr SP Singhi, Vice Chairman of the Company, after 22 years of service in the Company stepped down with effect from June 14, 2011. The Board has placed on record its deep appreciation of Mr Singhi's immense contribution and valuable services during his association with the Company.

Mr Sanjay Pasari and Mr Chandrakant Pasari, Directors of the Company, stepped down with effect from June 27, 2011. The Board has placed on record its deep appreciation of their contribution and valuable services during their association with the Company.

The Board of Directors at their meeting held on May 6, 2011, appointed Mr Sudipto Sarkar as an Additional

Director of the Company with effect from May 6, 2011. Mr Sudipto Sarkar is a Barrister of Gray's Inn, London and is presently practising as a Senior Advocate in the Calcutta High Court. He has wide experience in Commercial Law particularly Company, Intellectual and Shipping Laws. The Company has received a Notice from a member signifying his intention to propose Mr Sudipto Sarkar for the office of Director at the forthcoming Annual General Meeting.

The Board of Directors at their meeting held on May 6, 2011, has also appointed Mr PH Ravikumar as an Additional Director of the Company with effect from May 6, 2011. Having work experience of over 37 years in the Banking and Financial services sector, Mr PH Ravikumar has worked in organisations like National Commodity and Derivatives Exchange Limited, as their Managing Director and Chief Executive Officer, ICICI Bank, as their Senior General Manager and Head of Emerging Corporate & Agri Business Group, and Bank of India. The Company has received a notice from a member signifying his intention to propose Mr PH Ravikumar for the office of Director at the forthcoming Annual General Meeting.

The Board of Directors at their meeting held on June 27, 2011, has also appointed Mr Aditya Khaitan as an Additional Director of the Company with effect from June 27, 2011. Mr Aditya Khaitan has had in depth exposure to and involvement in steering diverse businesses and has gained considerable experience and expertise in management, production, marketing, corporate finance and other related areas and also in the matter of restructuring, mergers, demergers and acquisitions of corporate entities. The Company has received a notice from a member signifying his intention to propose Mr Aditya Khaitan for the office of Director at the forthcoming Annual General Meeting.



The Board of Directors at their meeting held on February 14, 2011, appointed Mr Prasanta Kumar Chandra as a Whole-time Director and Chief Operating Officer of the Company for a period of five years with effect from February 14, 2011. Mr Prasanta Kumar Chandra is a Mechanical Engineer, a Cost Accountant and has done his Post-graduation in Marketing Management. Mr Chandra has over 30 years of experience in diverse fields like Design & Engineering, Manufacturing, Project Management, Operations Management and Corporate Planning.

The Board of Directors at their meeting held on June 27, 2011, has also appointed Mr Prabir Ghosh as a Whole-time Director and Group CFO of the Company for a period of five years with effect from June 27, 2011. Mr Prabir Ghosh is a Chartered Accountant having experience of over 25 years in the areas of Financial Policies and Systems, Corporate Finance, Treasury Management, Manufacturing Accounting, International Finance including GDR, ECB & Suppliers Credit, Taxation, Commercial Function including export, import, purchase, EXIM matters, handling and leading techno-commercial team for large projects, Information System Development, General Management, Industrial Relations and Corporate Strategy.

The Board of Directors at their meeting, held on August 12, 2011, has appointed Mr Deepak Khaitan as the Executive Chairman of the Company for a period of five years with effect from August 12, 2011.

Mr VK Verma, Mr SR Dasgupta and Mr Amritanshu Khaitan retire by rotation and being eligible, offer themselves for reappointment.

## Auditors

The Statutory Auditors of the Company M/s Lovelock & Lewes, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility

and willingness to accept office of Auditors, if reappointed. The Audit Committee and the Board of Directors recommended M/s Lovelock & Lewes, as Statutory Auditors of the Company for the financial year 2011-2012 for shareholders approval. As required under the provisions of Section 224(1B) of the Companies Act, 1956, the Company has obtained a written certificate from the above auditors proposed to be reappointed to the effect that their reappointment, if made, would be in conformity with the limits specified in the said section

## Auditors' Report

The Board has duly examined the Statutory Auditors' Report to the accounts and clarifications, wherever necessary, have been included in the notes to the Accounts section of the Annual Report.

## Fixed Deposit

The Company hasn't accepted any deposit from the public, and as such, there are no outstanding deposits in terms of the Companies (Acceptance of Deposits) Rules, 1975.

## Share Capital

During the year, authorised and paid-up share capital of the Company remain unchanged in comparison to the previous year.

## Corporate Governance

The Company has adopted the best corporate governance norms and it has been our endeavour to comply and upgrade to the changing norms.

A separate section on Corporate Governance and a certificate from the Statutory Auditors of the Company regarding compliances of conditions of Corporate Governance as stipulated under Clause 49 of the

Listing Agreement(s) with the Stock Exchange(s) form part of the annual report.

In terms of sub-clause (v) of the Clause 49 of the Listing Agreement, a certificate of the CEO/CFO, inter alias, confirming the correctness of the financial statements, adequacy of the internal control measures and reporting of matters to the Audit Committee in terms of the said Clause, is also enclosed as a part of this Report.

## Particulars Of Employees

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, forms part of this Report. Any Member interested may obtain a copy of the statement from the Company.

## Persons Constituting Group

Statement of Persons constituting group within the definition of 'Group' for the purpose of Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulation, 1977 form a part of the Report.

## Energy Conservation, Technology Absorption And Foreign Exchange Earning And Outgo

The details as prescribed under Sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given in Annexure A to the Directors' Report.

## Director's Responsibility Statement

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In the preparation of annual accounts, the applicable accounting standards have been followed. There are no material departures from prescribed accounting standards;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2010-11 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of

this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

4. We have prepared the annual accounts on a going concern basis.

## Cautionary Statement

Certain statements in the Directors' Report describing the Company's operations, objectives, projections and expectations regarding future performance may constitute 'forward looking statements' with the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied, depending on the economic conditions, Government policies and other incidental factors and developments.

## Acknowledgement

The Directors place on record their sincere appreciation for significant contribution made by the employees

through their dedication, hard work, active involvement and devoted services rendered. The Directors would also like to thank all the stakeholders, investors including Bankers and other business associates, who have extended their valuable support and encouragement. This has, understandably, been critical for the Company's success. The Directors look forward to their continued support and understanding in the years to come.

**On behalf of the Board of Directors**



**Deepak Khaitan**  
*Executive Chairman*

Kolkata, August 12, 2011



years of engineering excellence

## ANNEXURE A TO DIRECTORS' REPORT

### PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

#### A. CONSERVATION OF ENERGY

##### 1. ENERGY CONSERVATION MEASURES TAKEN

The Corporate office of MBE had shifted to ECOSPACE, a pre-certified Platinum Green project, having implemented various energy conservation measures. Routine steps like strict control & monitoring of usage, good upkeep of equipment like DG sets & AC units have resulted in optimal usage of parts.

##### 2. ADDITIONAL INVESTMENT AND PROPOSALS FOR REDUCTION OF CONSUMPTION OF ENERGY

As stated above, there is nothing substantial to report.

#### B. RESEARCH & DEVELOPMENT (R & D)

##### 1. Specific areas in which R & D is carried out by the Company

- Develop software based parametric modeling solutions (Design automation) for extraction of drawings, which will be used in the execution of projects, being done by the company.
- Develop 3D modeling capability for complete Plant Design
- Do value engineering & design augmentation to reduce material consumption & project cost
- Import substitution

##### 2. Benefits derived as a result of the above R & D :

Cost reduction due to saving in engineering time due to design automation.

##### 3. Future Plan of Action

Future R & D efforts will continue along similar lines, as at present. Design automation of new products & processes will be taken up such as Stacker Reclaimers, Thickners, Process Plant layouts etc.

##### 4. EXPENDITURE ON R & D :

In pursuit of R&D endeavors, the company is continuously incurring R&D expenditure both on Capital and Revenue, which has not been separately reflected but is being shown as part of regular heads of accounts in fixed assets and in the Profit & Loss Account respectively.

#### C. TECHNOLOGY ABSORPTION

##### 1. TECHNOLOGIES

Processes developed by our R & D center being continuously absorbed and adopted on a commercial scale.

##### 2. BENEFIT DERIVED AS A RESULT OF THE ABOVE EFFORTS

Cost reduction due to reduction in engineering time. Improvements in processes and weight reduction due to value engineering & design augmentation.

##### 3. INFORMATION REGARDING TECHNOLOGIES IMPORTED DURING LAST 5 YEARS

- Technology for By Products recovery from coke ovens from DMT Germany
- Technology for production of sinter from iron ore from TPE, Russia
- Design of Stacker Reclaimers from Poltegor, Germany
- Design of Wagon Tippler from FAMAC, Poland
- Design of Port Cranes from KONE Cranes, Finland

#### D. FOREIGN EXCHANGE EARNINGS & OUTGO

		Rs. '000
Foreign Exchange Earnings	Export on FOR Works basis	898,906
	Others	-
Foreign Exchange Outgo	Traveling	11,628
	CIF value of Component, Spare parts & Stores	181,173
	Capital Goods	-
	Professional & Consultancy fees	39,549
	Others	9,428

## **ANNEXURE B TO DIRECTORS' REPORT**

### **MANAGEMENT DISCUSSION & ANALYSIS**

#### **INDUSTRY STRUCTURE AND DEVELOPMENT**

As per the mid-term appraisal conducted by the Planning Commission, the expected investment in Infrastructure during the 11th Plan period (2007-12) will be Rs 20.5 Lakh Crores. Sector wise the investments will be as follows: Power (32%), Roads & bridges (13.6%), Railways (9%), Oil & Gas (6.2%), Water Supply & Sanitation (5.4%) and Ports (2%). In most of these sectors, MBE is very active. For the 12th Plan (2012-17), the Planning Commission has indicated that the investment in Infrastructure will double to Rs 41 Lakh Crores. A sector wise analysis is given below.

#### **POWER**

The thermal power capacity addition in 11th Plan is expected to be around 50 to 55,000 MW. For the 12th Plan coal based thermal power capacity addition is expected to be 74,000 MW. Private sector participation in power generation has increased significantly and expected to contribute 40% in the 11th Plan.

As per Central Electricity Authority (CEA), there will be a requirement of 1,100 BOP packages during the 12th Plan comprising Coal handling & Ash Handling plants, water packages, cooling towers, chimney stacks and fuel oil systems.

#### **STEEL**

The installed capacity of Steel production is expected to increase from 67 Million Tons per year in 2010 to 142 Million TPA by 2018 based on the assumption of 8% GDP growth.

Most of the additional capacity will be created in the Private sector, apart from a few in the public sector. EPC Packages in Steel Plants, where MBE has execution experience include raw material handling, Sinter plant, By-products recovery plants.

#### **MINING**

India has vast reserves of many different minerals. It is the world's third largest producer of coal, fourth largest producer of iron ore and fifth largest producer of bauxite. It also has significant reserves of copper, zinc, lead, lignite and other minerals. In iron ore beneficiation, further to the acquisition of the Coal & Mineral Technology business of Humboldt Wedag, MBE hopes to do well with MBE-CMT's Jigging & WHIMS technology.

Iron ore Pelletization projects will be another growth segment where MBE hopes to play a significant role with International technology partners

#### **NON FERROUS METALS**

MBE is a market leader in Mineral Beneficiation in India, having set up most of the plants for Copper, Lead & Zinc in India and presently executing two copper projects in Konkola Mines, Zambia. Due to strategic reasons, there is significant thrust on exploration & processing of Uranium ore, where MBE has strong credentials.

#### **PORT & STOCKYARD EQUIPMENT**

The current capacity of Indian Ports is around 813 Million Tons per year (MTPA) and capacity addition of 775 MTPA is planned by 2017. The demand for port cranes is a sum of requirement from new capacity as well as replacement of existing old cranes.

MBE has a license agreement with Kone Cranes to manufacture & supply Port & Shipyard cranes and Poltegor for Stacker Reclaimers.

#### **NEW BUSINESSES**

The Oil Refinery capacity is expected to grow from 182 MTPA in 2010 to 302 MTPA by 2017, which will involve a huge investment of nearly Rs 2.4 Lakh Crores. Cement capacity also is expected to increase from 275 Million Tons in 2010 to 440 Million Tons by 2017, averaging a capacity addition of 20 Million Tons annually. Nuclear Power Corporation of India (NPCIL) plans to reach a generation capacity of 20,000 MW by 2020 from the current level of 4,000 MW.

These 3 sectors offer significant business opportunities, and are the focus areas for MBE.

The infrastructure sector is a huge market and MBE plans to enter this segment in few areas such as water projects, metro railway & road bridges.

#### **OPPORTUNITIES & THREATS**

MBE is facing increased competition in Material Handling & Ash handling projects, which have been its core strengths, due to entry of a large number of players. In addition, ordering for new projects have slowed down due to delays in land acquisitions, obtaining environmental clearances, coal availability etc.

To counter increased competition in domestic markets, MBE is increasingly focusing in International markets, with the help of the Coal & Mineral Technology Group who are present in China, Russia & CIS countries, South America, Africa & Indonesia. MBE has opened an office in South Africa and plans to open more offices in other markets.

## **SEGMENTWISE OR PRODUCTWISE PERFORMANCE**

The company is engaged in turnkey projects in infrastructure and related manufacturing activities and therefore the question of segment-wise performance does not arise.

## **OUTLOOK**

Your company has an order backlog of around Rs 3,200 Crores as on March 31, 2011 and we hope to achieve a top line of around Rs 2,500 Crores this year. Moreover, with a healthy GDP growth forecast of 9%, we expect the new order booking to be comfortable and as per Planned targets.

## **RISKS & CONCERNS**

The EPC Business as such is exposed to risks at various stages. Increase in raw material prices of steel, cement and other items, delays at construction sites due to unforeseen circumstances beyond our control, all add to increase in project costs. Your company has got in place risk mitigation strategies to minimize the impact of such events. Moreover, with Oracle based ERP implemented across the company, your company is better equipped today to monitor all operations on real time basis, thereby taking corrective actions and reducing risk.

## **MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED**

Your company believes in building long-term relationships with all stakeholders, with equal emphasis on the “employee”, and in ensuring “employee delight”. This is epitomized in the remarkable retention rates and numerous incidences of long-service awards. In terms of employee care, the organization provides to and fro transport to its employees (at HO & Project Sites), meal coupons, insurance coverage including immediate family, not to mention the informal environment evident in the camaraderie shared between employees of diverse work groups and across hierarchy. All of this contributes to the creation of a happy, loyal and committed work-force.

PWC has been partnering with us in this organization transformation exercise with some of the key focus areas being organization restructuring, revamping the performance management architecture, compensation bench marking, competency assessment for senior management and leadership team, followed by individual development plans to create a healthy succession pipeline for critical leadership positions.

Your company also boasts of a flag-ship “Executive Trainee” program where fresh Engineers from premier Engineering Colleges are hired and honed through a rigorous one-year orientation program. On completion, they are absorbed directly in the Middle Management category. Your Company is invited for campus visits on prestigious first-day slots at all the targeted institutions.

The industrial relations during the year have been cordial. The number of permanent employees as on March 31, 2011 was 1,441 as against 1,166 on March 31, 2010.

## **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

Your Company has a detailed well spelt internal control system in place to ensure that all financial, commercial and legal transactions are fully authorized, recorded and correctly reported. The Audit Committee of the Board of Directors reviews the adequacy of the Internal Control System. The Company’s Internal Audit Department is in charge for periodically carrying out detailed audit of the transactions of the Company at various sites, manufacturing locations and offices in order to ensure that recording and reporting are adequate and as per the policy of the Company. The Internal Auditors periodically physically verify safeguarding of the Company’s assets and ensure that there is no unauthorized usage. The assets are kept in proper conditions and are covered under adequate insurance.

## **FINANCIAL PERFORMANCE**

During the year, your Company recorded growth in its performance both in terms of Sales and Profitability. While the total income of the Company has grown from Rs. 1,487 Crores to Rs. 1,775 Crores, the Profit before Tax has gone up from Rs. 53 Crores to Rs. 74 Crores and earning per share has gone up from Rs.11.16 per share to Rs.15.41 per share. Based on the business scenario within the Country and Company’s extended capability, the Company has set a higher benchmark of performance for the year to come. The Board expects this growth trend, both in terms of profitability and sales, to be maintained in the coming years.

## **DISCLOSURE BY THE MANAGEMENT**

Your Board has received confirmation from its managerial staff that they had no personal interest in any material, financial and commercial transactions of the Company.

## **CAUTIONARY STATEMENT**

Statements in the Management Discussion and Analysis Report in regard to projections, estimates and expectations have been made in good faith. Many unforeseen factors may come into play and affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook. Market data and product information contained in this Report, have been based on information gathered from various published and unpublished reports and their accuracy, reliability and completeness cannot be assumed.

## ANNEXURE C TO THE DIRECTORS REPORT

Statement Pursuant to order no. 47/643/2010-CL-III dated 3rd August, 2010 of Ministry of Corporate Affairs, Government of India, issued under Section 212(8) of the Company Act, 1956 for the Financial Year 2010-11.

Rupees in '000

Sl. No.	Name of the Subsidiary Company	Capital	Reserves	Total Assets	Total Liabilities	Details of Investments (excluding Investments in subsidiaries)	Turnover/ Total Income	Profit before taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend	Country
1.	MBE Mineral Technologies Pte Ltd (formerly MBE Holding Pte Ltd)	89,125	127,811	2,611,139	2,394,203	289,906	3,175,225	161,586	78,342	83,244		Singapore
2.	McNally Sayaji Engineering Ltd	89,893	1,728,124	4,612,257	2,794,240	181	2,999,032	196,360	64,498	131,862	17,979	India
3.	McNally Bharat Infrastructure Ltd	1,000	1,364	63,576	61,212	-	42,891	1,909	845	1,064		India
4.	McNally Bharat Equipments Ltd	1,000	(92)	1,008	100	-	-	(31)	-	(31)		India
5.	EWB Koryezetvedelmi Kft	3,545	36,396	55,488	15,547	-	55,033	222	137	85		Hungary
6.	MBE Minerals Zambia Ltd	460	(10,137)	66,184	75,861	-	36,781	(14,022)	(3,885)	(10,137)		Zambia

## **ANNEXURE D TO DIRECTORS' REPORT**

### **PERSONS CONSTITUTING GROUP COMING WITHIN THE DEFINITION "GROUP" FOR THE PURPOSE OF REGULATION 3(1)(e)(I) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997 INCLUDE THE FOLLOWING:**

1. Williamson Magor & Co. Limited
2. McLeod Russell India Limited
3. Metals Centre Limited
4. Babcock Borsig Limited
5. Kilburn Engineering Limited
6. Williamson Financial Services Limited
7. Dufflaghur Investments Limited
8. Borelli Tea Holdings Limited
9. Eveready Industries India Limited
10. United Machine Co. Limited
11. Ichamati Investments Private Limited
12. Nitya Holdings & Properties (P) Limited
13. Majerhat Estates & Developers Limited
14. Woodside Parks Limited
15. Seajuli Developers & Finance Limited
16. Central India Industries Ltd
17. National Bearing Co. (Jaipur) Ltd
18. Janhit Seva Trust including its Trustees Mr. Sanjay Kumar Pasari and Mr. Shyam Sundar Jajodia
19. Ekanta Plastics Pvt Ltd
20. Mr. Brij Mohan Khaitan
21. Mr. Deepak Khaitan
22. Mr. Aditya Khaitan
23. Mr. Amritanshu Khaitan
24. Mr. R. S. Jhawar
25. Mr. K. K. Baheti
26. Mr. Suvamoy Saha
27. Mr. Subir Ranjan Dasgupta
28. Mr. Prabir Ghosh
29. Mr. Alope Jana
30. Mr. Prasanta Kumar Chandra
31. Mr. Arup Kanti Nandi
32. Mr. Nilanjan Roy
33. Mr. Dipankar Sarkar
34. Mr. Dilip Kumar Ray
35. Mr. Subrata Lahiri
36. Mr. Shyamal Kumar Das
37. Mr. Vinay Kapoor
38. Mr. Saroj Bachhawat

## ANNEXURE E TO THE DIRECTORS' REPORT

### CORPORATE GOVERNANCE

In compliance with the Corporate Governance requirements as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange, the Company has been incorporating for the last few years a separate section on Corporate Governance in its Annual Report. The Shareholders and Investors of the Company would have found the information informative and useful.

Company's policies on the Corporate Governance and due compliance report on specific areas wherever applicable for the year ended 31 March, 2011 are given hereunder divided into the following areas :-

#### I Company's Philosophy

The Company continues to commit itself to maintain the highest standards of integrity, transparency and accountability in all facets of its operations and to create Shareholders' value on a sustainable basis. The Company believes that good Corporate Governance, with transparency and independence as its key ingredients, provides a market oriented framework for the running of Companies. It can ensure a proper balance between management, board and shareholders, adequate levels of transparency, appropriate compensation schemes and the prevention of conflict of interests.

#### II Board of Directors:

##### (a) Composition of the Board:

The Board of Directors comprises ten members at the end of the financial year, consisting of nine Non-executive Directors who account for 90 percent of the Board's strength as against minimum requirement of fifty percent as per the listing agreement. The Non-executive Directors are eminent professionals, drawn from amongst persons with experience in business and industry, finance, law and public enterprises. The Composition is as under:

Name of the Directors	Category of Directors	No. of other Directorships held #		No. of other Board Committee(s) of which he/she		No. of Shares held in the Company as at 31.03.2011
		Public	Private	is a member	is a Chairperson	
Mr. D. Khaitan - Chairman	Promoter - Non Executive	7	–	2	–	–
Mr. S. P. Singhi - Vice Chairman	Promoter - Non Executive	6	4	–	–	–
Mr. V. K. Verma	Independent - Non Executive	–	–	–	–	700
Mr. U. Parekh	Independent - Non Executive	6	–	2	–	100
Mr. C. K. Pasari	Independent - Non Executive	6	4	–	–	400
Mr. S. K. Pasari	Promoter - Non Executive	3	9	–	–	–
Mr. A. Khaitan	Promoter - Non Executive	4	3	–	–	–
Mr. S. R. Dasgupta	Independent - Non Executive	3	–	2	–	–
Mr. A. K. Barman	Independent - Non Executive	1	–	–	–	–
Mr. P. K. Chandra	Executive – Whole Time Director	1	2	–	–	1000
Mr. Srinivash Singh*	Executive-Managing Director	3	1	–	–	–

\*Mr. Singh stepped down from the office of the Managing Director with effect from 18th June, 2010.

# Excluding Directorships in Foreign Companies and Companies under Section 25 of the Companies Act, 1956.

Except Mr. A. Khaitan, who is the son of Mr. D. Khaitan, Chairman of the Company, no director is related to any other Director on the Board in terms of the provisions of Companies Act, 1956. All the directors who are on various Committees are within the permissible limits of the listing agreement. The Directors have intimated from time to time their membership in the various Committees in other Companies.

No convertible instruments are held by non-executive directors.



(b) **Details of remuneration paid/payable to Non Executive Directors :**

Name of the Directors	Sitting fees paid during the year
	Rupees
Mr. D Khaitan	1,00,000
Mr. V K Verma	3,40,000
Mr. C K Pasari	6,80,000
Mr. U Parekh	60,000
Mr. S P Singhi	5,20,000
Mr. Sanjay Kumar Pasari	80,000
Mr. Amritanshu Khaitan	20,000
Mr. Subir Ranjan Dasgupta	1,40,000
Mr. Asim Kumar Barman	3,00,000
<b>TOTAL</b>	<b>22,40,000</b>

**Details of remuneration paid/payable to the Managing Director & the Whole Time Director :** (in Rs.)

Particulars	Mr. S. Singh (Managing Director) (upto 18.06.2010)	Mr. P. K. Chandra (Whole Time Director) (From 14.02.2011 to 31.03.11)
Salary	26,95,000	13,26,857
Performance Bonus	—	5,00,000
Contributions to Provident Fund and Other Fund	2,31,000	49,757
Perquisites	2,93,370	64,960
<b>Total Remuneration</b>	<b>32,19,370</b>	<b>19,41,754</b>

Notes :

- None of the non-executive Directors receive any remuneration apart from the sitting fees for meetings attended by them.
- The Managing Director and the Whole Time Director are entitled to Performance Bonus upto a maximum of 6 months salary, payable annually, for each financial year, as may be determined by the Board.
- The resolutions appointing the Managing Director or the Whole Time Director do not provide for payment of severance fees.
- Mr. S. Singh stepped down from his office as the Managing Director with effect from 18.06.2010. An amount of Rs. 2,86,03,077 was paid to him as compensation for loss of office under Section 318 of the Companies Act, 1956 and an amount of Rs 92,01,923 was paid to him on account of encashment of privilege Leave.

(c) **Board Meetings and attendance of Directors:**

- The members of the Board have been provided with the requisite information mentioned in the listing agreement well before the Board Meetings and the same were dealt with appropriately.
- During the year, 7 Board Meetings were held on 14th May, 2010, 17th June, 2010, 13th August, 2010, 31st August, 2010, 30th September, 2010, 13th November, 2010 and 14th February, 2011.

- (iii) The attendance recorded for each of the Directors at the Board Meetings during the year ended on 31st March 2011 and of the last Annual General Meeting is as under :

<b>Directors</b>	<b>Number of Board Meetings attended</b>	<b>Attendance at the last AGM</b>
Mr. D. Khaitan	5	No
Mr. S. P. Singhi	6	Yes
Mr. V. K. Verma	6	Yes
Mr. U. Parekh	2	No
Mr. C. K. Pasari	7	Yes
Mr. S. K. Pasari	4	No
Mr. A. Khaitan	1	No
Mr. S. R. Dasgupta	7	Yes
Mr. A. K. Barman	6	Yes
Mr. S. Singh	2	No

(d) **Code of conduct:**

The Code of Conduct of the Company as adopted by the Board of Directors is applicable to all Directors, senior management and employees of the Company. The Code is available on the Company's corporate website.

The Code of Conduct for Prevention of Insider Trading in the shares and securities of the Company, inter alia, prohibits purchase/sale of shares of the Company by employees while in possession of unpublished price sensitive information in relation to the Company. The Code is available on the Company's corporate website.

### III Audit Committee

- i. The role and terms of reference of the Audit Committee covers the areas mentioned under Clause 49 of the Listing Agreement and in Section 292A of the Companies Act, 1956. Brief descriptions of the terms of reference of the Audit Committee are as follows:
- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
  - Recommending to the Board, the appointment, re-appointment and, if required the replacement or removal of the statutory auditor and the fixation of audit fees, and also approval for payment of any other services rendered by the statutory auditors.
  - Discussion with the statutory auditors before the audit commences about nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
  - Reviewing, with the management, performance of statutory and internal auditors, and adequacy of internal control systems.
  - Reviewing, with the management, the quarterly financial results before submission to the Board for approval.
  - Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
    - Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause 2AA of Section 217 of the Companies Act, 1956.
    - Changes, if any, in accounting policies and practices and reasons for the same;
    - Major accounting entries involving estimates based on exercise of judgment by management;
    - Significant adjustments made in the financial statements arising out of audit findings;
    - Compliance with listing and other legal requirements relating to financial statements;
    - Disclosure of any related party transactions;
    - Qualifications in the draft audit report.
  - Reviewing the adequacy of internal audit function.

- h. Discussion with internal auditors of any significant findings and follow-up thereon.
- i. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- j. Looking into the reasons for substantial defaults in payments to the shareholders and creditors.
- k. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

**Composition :**

The Audit Committee was constituted by the Board of Directors. Member Directors of the Audit Committee are as under :

Mr. V. K. Verma, Chairman,  
 Mr. U. Parekh  
 Mr. C. K. Pasari  
 Mr. Amritanshu Khaitan

All the members of the Audit Committee are Non-executive Directors. The Committee has elected Mr. V.K. Verma as its Chairman. All the members of Audit Committee are financially literate and one member is having accounting and related financial management expertise.

The Audit Committee Meetings were held on 14th May, 2010, 12th August, 2010, 13th November, 2010, 14th February, 2011. The attendance of each Audit Committee member is as under :

Name of the Audit Committee Member	Number of meetings attended
Mr. V. K. Verma	4
Mr. U. Parekh	1
Mr. C. K. Pasari	4
Mr. A. Khaitan	0

- (a) At the invitation of the Company, representatives from various divisions of the Company, internal auditors, statutory auditors, Chief Financial officer and Company Secretary who is acting as Secretary to the Audit Committee also attend the Audit Committee Meetings to respond to queries raised at the committee Meetings.
- (b) The role and terms of reference of the Audit Committee cover the matters specified for Audit Committees under Clause 49 of the Listing Agreement as well as in Section 292A of the Companies Act, 1956.

**IV Remuneration Committee**

Brief description of terms of reference:

The broad terms of reference of the Remuneration Committee are as follows:

- a) To approve/ recommend to the Board of Directors the remuneration package of the Managing Director and Whole time Directors and also to recommend remuneration payable to the Non-Executive Directors.
- b) to approve, in the event of loss or inadequacy of profits in any year, the minimum remuneration payable to the Managing director and Whole Time Directors within the limits and subject to the parameters prescribed in schedule XII to the Companies Act, 1956.

Composition:

The Remuneration Committee consists of three non-executive independent directors and one non executive promoter director:

Mr. V. K. Verma, Chairman  
 Mr. S. P. Singhi  
 Mr. U. Parekh  
 Mr. C. K. Pasari

Broad terms of reference of the Remuneration Committee include recommendation to the Board of Directors of the salary/perquisites, commission and retirement benefits payable to the Company’s Directors and Senior Executives.

The Remuneration Committee of the Company met thrice during the year on 14th May, 2010, 13th November, 2010, 14th February, 2011. The attendance of the members of the Remuneration Committee was as follows:

Name of Remuneration Committee Member	Number of meetings attended
Mr. V. K. Verma	3
Mr. S. P. Singhi	1
Mr. U. Parekh	0
Mr. C. K. Pasari	3

## V Remuneration Policy

Remuneration of employees largely consists of basic remuneration, perquisites and performance incentives.

The component of the total remuneration varies for different grades and is governed by industry patterns, qualifications and experience of the employee, responsibilities handled by him and his individual performance.

The objectives of the remuneration policy are to motivate employees to excel in their performance, recognize their contribution, retain talent in the organization and reward merit.

## VI Shareholders'/Investors' Grievance Committee

The Board has formed a Shareholders/ Investors' Grievance Committee consisting of the following Directors:

Mr. S. P. Singhi, Chairman of the Committee

Mr. U. Parekh

Mr. V. K. Verma

Mr. C. K. Pasari

The Shareholders / Investors' Grievance Committee of the Company met three times during the year on 14th May, 2010, 13th November, 2010, 14th February, 2011. The attendance of the members of the Shareholders'/Investors' Grievance Committee was as follows:

Shareholders'/Investors' Grievance Committee Member	Number of meetings attended
Mr. S. P. Singhi	1
Mr. U. Parekh	0
Mr. C. K. Pasari	3
Mr. V. K. Verma	3

All Investors complaints, which cannot be settled at the level of the Registrars - Maheshwari Datamatics Private Limited and Mr. D. Chatterjee, Company Secretary, the Compliance Officer, will be forwarded to the Shareholders'/Investors' Grievance Committee for final settlement.

### Investors' Grievances

The following table shows the nature of complaints received from shareholders during 2010-11.

Nature of complaints	Pending as on 1st April 2010	Received during the year	Replied/ resolved during the year	Pending as on 31st March 2011
Non receipt of Dividend Warrants	0	13	13	0
Non receipt of Share certificates	0	0	0	0
Non receipt of Annual Reports	0	4	4	0
Total	0	17	17	0

Investors' complaints are generally redressed within thirty days from their lodgment.

The Company confirms that there were no share transfers lying pending as on 31st March, 2011, and all requests for dematerialization and re-materialization of shares as on that date were confirmed/rejected into the NSDL / CDSL system.

## VII Other Board Committees

### a) Committee of Directors

During the year, 23 Committee of Directors Meetings were held on 16th April, 2010, 30th April 2010, 14th May 2010, 31st May 2010, 15th June 2010, 30th June 2010, 15th July 2010, 30th July 2010, 16th August 2010, 31st August 2010, 15th September 2010, 30th September 2010, 18th October 2010, 29th October 2010, 15th November 2010, 30th November 2010, 15th December 2010, 31st December 2010, 17th January 2011, 31st January 2011, 15th February 2011, 28th February 2011, 15th March 2011.

The attendance recorded for each of the Directors at the Committee of Directors' Meetings during the year ended on 31st March 2011 is as under:

Directors	Number of Committee of Directors' Meetings attended
Mr. S P Singhi	18
Mr. C K Pasari	17
Mr. A. K. Barman	9
Mr. S. Singh	4
Mr. P. K. Chandra	3

## VIII Subsidiary Companies

The Company has the following subsidiaries:

- a) McNally Sayaji Engineering Limited
- b) McNally Bharat Equipments Limited
- c) McNally Bharat Infrastructure Limited
- d) EWB Kornyezvetvedelmi Kft, Hungary
- e) MBE Mineral Technologies Pte, Limited, Singapore
- f) MBE Minerals Zambia Limited

MBE Minerals Technologies Pte, Limited, Singapore has the following subsidiaries:

- a) MBE Minerals SA (Pty) Limited
- b) MBE Cologne Engineering GmbH
- c) MBE Coal & Minerals Technology GmbH
- d) Humbolt Wedag Minerals India Pvt. Ltd.

MBE Coal & Minerals Technology GmbH has the following subsidiaries:

- a) MBE Mineral Processing Technology (Beijing) Co. Ltd
- b) MBE Mineral Processing of Brazil Ltda

The Company has its representations in the Board of the above subsidiaries. The Company's investment in McNally Sayaji Engineering Limited has yielded dividend.

## IX Disclosures

1. All related party transactions have been entered into in the ordinary course of business and were placed periodically before the audit committee in summary form. There were no material individual transactions with related parties which were not in the normal course of business required to be placed before the audit committee and that may have potential conflict with the interest of the Company at large. All individual transactions with related parties or others were on an arm's length basis.
2. The Company has complied with all the requirements of the listing agreements with the Stock Exchange as well as regulations and guidelines of SEBI. No penalties have been imposed or strictures have been issued by SEBI, Stock Exchange or any statutory authority on matters related to capital markets during the last three years.
3. All Accounting Standards mandatorily required have been followed in preparation of financial statements and no deviation has been made in following the same.

4. Risk assessment and its minimization procedures have been laid down by the Company and the same have been informed to board Members. These procedures would be periodically reviewed to ensure that executive management controls risks through means of a properly defined framework.
5. Management Discussion and Analysis forms part of the Annual Report to the shareholders and it includes discussion on matters as required under the provisions of Clause 49 of the listing agreement with Stock Exchange.
6. There were no material financial and commercial transactions by Senior Management as defined in Clause 49 of the listing agreement where they have personal interest that may have a potential conflict with the interests of the Company at large requiring disclosure by them to the Board of Directors of the Company.

#### **X Compliance with of Non-Mandatory Requirements**

The status of compliance in respect of non-mandatory requirements of Clause 49 of Listing Agreement is as follows:

(i) **The Board:**

No separate office is maintained for Non-Executive Chairman and therefore during the year under review, no expenses were incurred in connection therewith.

No specific tenure has been specified for the Independent Directors.

(ii) **Remuneration Committee:**

Details are given under the heading 'Remuneration Committee'.

(iii) **Shareholder Rights:**

Half-yearly declaration of financial performance including summary of the significant events in last six months are presently not being sent to the Shareholders of the Company.

(iv) **Audit Qualification:**

During the year under review, there is no audit qualification in the Company's financial statements.

(v) **Training of Board Members:**

The Directors interact with the management freely on information required by them. The independent Directors are encouraged to attend training programs that may be of relevance and interest to the Directors in discharging their responsibilities to the Company's shareholders.

(vi) **Mechanism for evaluating Non-Executive Board Members:**

There is no mechanism for evaluating Non-Executive Board Members at present.

(vii) **Whistle Blower Policy:**

There is no Whistle Blower Policy at present. However, employees aware of any alleged wrongful conduct are encouraged to make disclosure to the audit committee.

#### **XI Compliance Certificate**

Compliance Certificate for Corporate Governance from Auditors of the Company is given as Annexure to this report.

#### **XII. General Body Meetings**

(a) **The details of General Meetings held in the last three years are as under:**

Annual General Meeting :

AGM	Day	Date	Time	Venue
45th	Wednesday	15.09.2008	11.00 a.m.	Rotary Sadan 94/2, Chowringhee Road Kolkata 700020
46th	Monday	23.11.2009	11.00 a.m.	- do -
47th	Thursday	30.09.2010	11.00 a.m.	- do -

(b) **Whether any special resolutions passed in the previous 3 AGMs.**

Yes, details of which are given hereunder:

Date	Matter
23.11.09	Issue of Rights Shares in accordance with the provisionjs of Section 81(1) and other applicable provisions, if any, of the Companies Act, 1956
23.11.09	Creation of Charges as per in accordance with Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956.
23.11.09	Creation of Charges in accordance with Section 293 (1) (a) and all other applicable provisions, if any, of the Companies Act, 1956.

Special resolution under Section 372A of the Companies Act, 1956 was passed by Postal Ballot during the financial year ended 31st March 2010 as per the procedures prescribed in The Companies (Passing of Resolution by Postal Ballot) Rules, 2001. The Result of Postal Ballot was as under :

Particulars of Resolution	Resolution passed on	No. of shares and % of Votes in Favour	No. of shares and % of Votes against
Loans/ Investments/ Corporate Guarantees pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956	29.01.2010	11,677,852 99.99 %	10 0.01%

(c) **Person who conducted the Postal Ballot exercise**

Mr. Atul Kumar Labh, a practicing Company Secretary, appointed as the Scrutinizer conducted the Postal Ballot voting process.

(d) **Procedure for Postal Ballot**

The procedures as prescribed in the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 were followed for passing the special resolution by Postal Ballot during the financial year ended 31st March 2010.

### XIII Means of Communication

**Quarterly results:**

- |   |  |
|---|--|
| (i) Which newspapers normally published in  | Business Standard, Kolkata & Mumbai<br>Pratidin (Bengali), Kolkata, Dainik Statesman (Bengali), Kolkata  |
| (ii) Any web site, where displayed  | www.mcnallybharat.com  |
| (iii) Whether it also displays official news releases and presentations made to institutional investors/ analysts | General information on the Company, official news releases and presentations to analysts and institutional investors are also posted on the Company's website. |

### XIV. General Shareholder Information

- (a) Details of Directors seeking appointment or reappointment at the ensuing Annual General Meeting are given as hereunder:

Particulars	Seeking reappointment	Seeking reappointment	Seeking reappointment	Seeking reappointment
Name of Director	Mr. V .K. Verma	Mr. S. R. Dasgupta	Mr. Amritanshu Khaitan	Mr. P. K. Chandra
Date of appointment	15th Sept., 2008	23rd Nov., 2009	23rd Nov., 2009	14th Feb., 2011
Brief resume and expertise in specific functional area	Given in the notice of the AGM	Given in the notice of the AGM	Given in the notice of the AGM	Given in the notice of the AGM
List of other Directorship held	-do-	-do-	-do-	-do-
Chairman/Member of the Committees of the Board of Companies in which he is a Director	-do-	-do-	-do-	-do-
Shareholding in the Company in case of Non-executive Director	Nil	Nil	100	Nil

Particulars	Seeking reappointment	Seeking reappointment	Seeking reappointment	Seeking reappointment
Name of Director	Mr. P.H. Ravikumar	Mr. S. Sarkar	Mr. Prabir Ghosh	Mr. Aditya Khaitan
Date of appointment	6th May, 2011	6th May, 2011	27th June, 2011	27th June, 2011
Brief resume and expertise in specific functional area	Given in the notice of the AGM	Given in the notice of the AGM	Given in the notice of the AGM	Given in the notice of the AGM
List of other Directorship held	-do-	-do-	-do-	-do-
Chairman/Member of the Committees of the Board of Companies in which he is a Director	-do-	-do-	-do-	-do-
Shareholding in the Company in case of Non-executive Director	Nil	Nil	Nil	Nil

(b) **Annual General meeting to be held:**

Day, Date, time and venue:

Day : Friday

Date : 23rd September 2011

Time : 3.00 PM

Venue : Rotary Sadan 94/2, Chowringhee Road, Kolkata – 700020

- (c) **Financial Year** : 2011-2012  
First Quarterly Results : Before 14th August 2011  
Second Quarterly Results : Before 15th November 2011  
Third Quarterly Results : Before 15th February 2012  
Audited Yearly Results for the  
Year ended 31 March, 2011 : Before 30th June, 2011

- (d) **Period of Book Closure** : 17th to 23rd September, 2011

(e) **Dividend payment date :**

Dividend on Equity Shares when sanctioned will be made payable on or before 20th October, 2011 to those Shareholders in physical form whose names stand on the Company's Register of Members on 23rd September, 2011 and to whom dividend warrants will be posted. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership position as per the data to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.

(f) **Listing on Stock Exchanges:**

The Equity shares of the Company are listed at Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001 and National Stock Exchange of India Ltd, 'Exchange Plaza', Bandra Kurla Complex, Bandra (E), Mumbai 400051 and listing fees have been paid for the year 2010-2011.

**Stock Codes:**

Bombay Stock Exchange 532629  
National Stock Exchange MBECL  
Reuters Code MCNL.BO  
Bloomberg Code MCNA:IN

International Securities Identification Number (ISIN) for the Company's shares in dematerialized form INE 748A01016

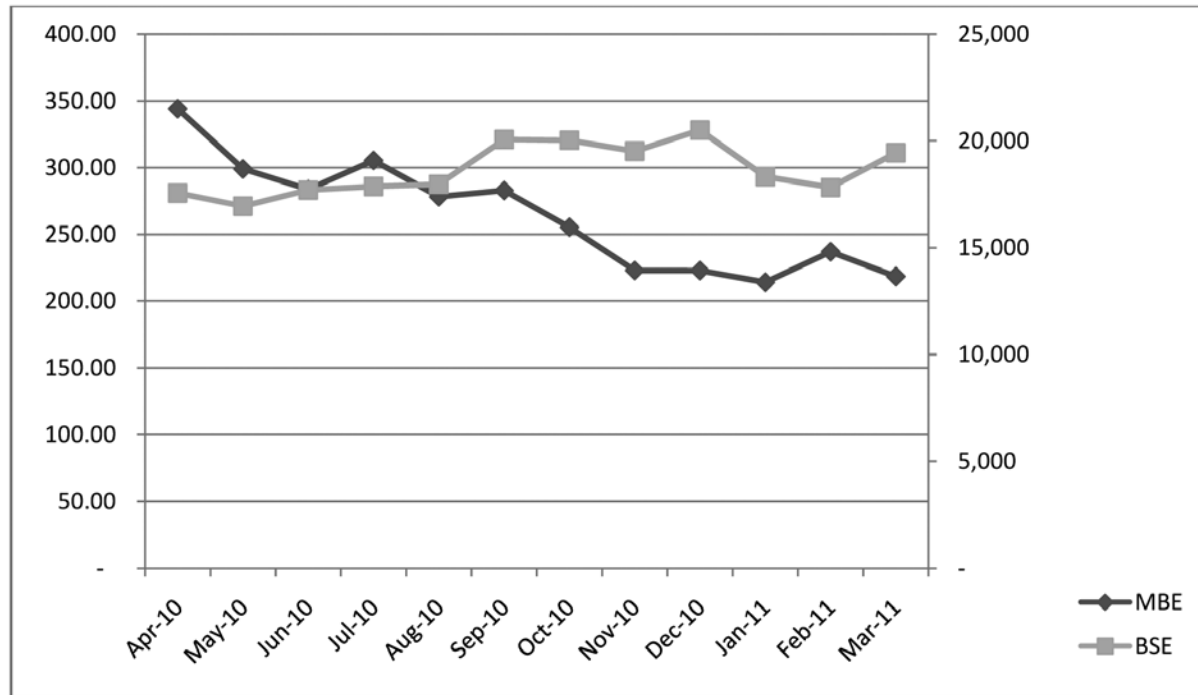
(g) **Market Price Data:**

The details of monthly highest and lowest closing quotations of the equity shares of the Company at the Bombay Stock Exchange and National Stock Exchange during financial year 2010-2011 are as under:

Month	Bombay Stock Exchange (BSE)		National Stock Exchange (NSE)	
	High	Low	High	Low
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
April, 2010	385.00	294.10	385.00	294.00
May, 2010	354.00	272.00	354.95	269.00
June, 2010	315.90	270.50	329.70	270.25
July, 2010	318.90	278.50	319.00	279.10
August, 2010	316.00	270.00	316.00	272.00
September, 2010	310.35	273.00	311.85	272.70
October, 2010	293.85	251.20	293.00	255.10
November, 2010	264.00	214.90	264.40	214.00
December, 2010	243.50	196.55	249.70	200.00
January, 2011	234.80	211.30	234.85	197.90
February, 2011	248.80	191.05	252.80	195.00
March, 2011	248.00	211.00	248.00	210.05



**Share Price Performance in comparison to broad based indices – BSE Sensex:**



**(h) Share Transfer Agents:**

The Company has engaged the services of Maheshwari Datamatics Private Limited, 6 Mangoe Lane, Kolkata 700001, a SEBI registered Registrar, as their Share Transfer Agents for processing the transfers, sub-division, consolidation, splitting of securities, etc. Since trading in Company’s shares can now be done only in the dematerialized form, request for Demat and Remat should be sent directly to Maheshwari Datamatics Private Limited, 6 Mangoe Lane, Kolkata 700001. Shareholders have the option to open their Accounts with either NSDL or CDSL as the Company has entered into Agreements with both these Depositories.

**(i) Share Transfer System:**

As already stated, the Company’s shares are traded in the Stock Exchanges compulsorily in Demat mode. Therefore, Investors/Shareholders are requested to kindly note that physical documents, viz. Demat Request (DRF) and Share Certificates, etc. should be sent by their Depository Participants (DP’s) directly to the Share Transfer Agents. Any delay on the part of the DP’s to send the DRF and the Share Certificates beyond 15 days from the date of generation of the DRF by the DP will be rejected/cancelled. This is being done to ensure that no Demat requests remain pending with the Share Transfer Agents beyond a period of 30 days. Investors/Shareholders should, therefore, ensure that their DP’s do not delay in sending the DRF and Share Certificates to Share Transfer Agents after generating the DRF.

**(j) Distribution of Shareholding as on 31st March, 2011:**

No of Shares	No. of holders	% of total holders	No. of shares	% of total shares
1to 5000	12352	89.5137	1416437	4.5554
5001 to 10000	675	4.8917	562034	1.8075
10001 to 20000	348	2.5219	534201	1.7180
20001 to 30000	123	.8914	321693	1.0346
30001 to 40000	48	.3479	170651	0.5488
40001 to 50000	59	0.4276	277770	0.8933
50001 to 100000	69	0.5000	505233	1.6249
100001 and above	125	0.9059	27305799	87.8175
Total	13799	100.00	31093818	100.000

**Pattern of Shareholding as on 31st March, 2011:**

	Category	No. of Holders	No. of Shares
1	Promoter & Promoter Group		
	– Individual/HUF (Indian)	10	7700
	– Bodies Corporate (Indian)	8	9493442
	– Individual/HUF (Foreign)	–	–
	– Bodies Corporate (Foreign)	–	–
2	Mutual Funds	28	4212093
3	Financial Institutions/Banks	2	140
4	Insurance Companies	9	1781635
5	Foreign Institutional Investors	10	3702411
6	Domestic Companies	503	4697041
7	Foreign Companies	–	–
8	Resident Individual	12895	6851181
9	Non Resident Individual	295	333711
10	Clearing Member	39	14464
	Total	13799	31093818

**Dematerialization of Shares:**

As on 31st March, 2011, 30629796 Shares of the Company's total shares representing 98.51% shares were held in dematerialized form and the balance 1.49% representing 464022 shares were in paper form..

**(k) Address of Correspondence:**

The Company's Registered Office is situated at 4, Mangoe Lane, Kolkata 700001.

Shareholders' correspondence should be addressed to:

McNally Bharat Engineering Company Limited  
Share Department,  
4, Mangoe Lane, Kolkata – 700 001

Contact persons : Mr. D. Chatterjee, Company Secretary  
Telephone Nos: 66281070 & 30141070  
Fax No: 66282277, E-mail: mbecal@mbecl.co.in

Maheshwari Datamatics Private Limited  
6 Mangoe Lane, 2nd Floor, Kolkata - 700 001

Contact person : Mr. S. Rajagopalan, Vice President  
Telephone Nos: 2243-5029/ 5809  
Fax No: 2248-4787, E-mail: mdpl@cal.vsnl.net.in

**Declaration by the COO under Clause 49 of the listing agreement regarding adherence to the Code of conduct**

In accordance with Clause 49 sub-clause 1(D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that all the Directors and the Senior Management personnel of the Company have affirmed compliance to their respective Codes of Conduct, as applicable to them for the Financial Year ended March 31, 2011.

For McNally Bharat Engineering Company Limited

**Prasanta Kumar Chandra**  
Whole Time Director & COO

Kolkata, 1st April, 2011

## **Auditors' Certificate regarding compliance of conditions of Corporate Governance**

To the Members of McNally Bharat Engineering Company Limited

We have examined the compliance of conditions of Corporate Governance by McNally Bharat Engineering Company Limited, for the year ended 31st March 2011, as stipulated in Clause 49 of the Listing Agreements of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Kolkata, 27th June, 2011

**Partha Mitra**

*Partner*

Membership Number 50553

For and on behalf of

**Lovelock & Lewes**

*Chartered Accountants*

Firm Registration No. 301056E

## AUDITORS' REPORT

### TO THE MEMBERS OF McNALLY BHARAT ENGINEERING COMPANY LIMITED

1. We have audited the attached Balance Sheet of McNally Bharat Engineering Company Limited (the "Company") as at 31st March 2011, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have 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 appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2011;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Kolkata, 27th June, 2011

For **Lovelock & Lewes**  
Firm Registration Number : 301056E  
Chartered Accountants  
**Partha Mitra**  
Partner  
Membership Number 50553

## ANNEXURE TO AUDITORS' REPORT

### Referred to in paragraph 3 of the Auditors' Report of even date to the members of McNally Bharat Engineering Company Limited on the financial statements for the year ended 31st March 2011

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
  - (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
  - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable.
  - (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. The Company has not granted / taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly the paragraphs 4(iii)(b),(c), (d),(f),and (g) of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, except dues in respect of service tax, income tax, employee's state insurance and sales tax where there have been significant delays, the Company is generally regular in depositing undisputed statutory dues including investor education and protection fund, wealth tax, customs duty, excise duty and other material statutory dues as applicable, with the appropriate authorities. The extent of the arrears of statutory dues outstanding as at 31st March 2011, for a period of more than six months from the date they became payable are as follows:

Name of the Statute	Nature of Dues	Amount Rs.	Period to which the amount relates	Due date	Date of Payment
Assam Value Added Tax Act	Value Added Tax	Rs 20937	June'2010	21st July, 2010	8th April, 2011
Bihar Value Added Tax Act	Value Added Tax	Rs. 324835	August' 2010	15th September, 2010	5th April, 2011

- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, value added tax, wealth-tax, service-tax, customs duty, excise duty and cess as at 31st March 2011 which have not been deposited on account of a dispute, are mentioned in Annexure attached.

10. The Company has no accumulated losses as at 31st March 2011 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short term basis which have been used for long term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has no debentures outstanding at the year-end.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

Kolkata, 27th June, 2011

For **Lovelock & Lewes**  
Firm Registration Number : 301056E  
Chartered Accountants  
**Partha Mitra**  
Partner  
Membership Number 50553

## ANNEXURE - A

[Referred to in paragraph 9 (b) of the Auditor's Report on matters specified in paragraphs 4 and 5 of Companies (Auditor's Report) Order, 2003]

NAME OF THE STATUTE	NATURE OF DUES	AMOUNT (Rs.)	PERIOD TO WHICH THE AMOUNT RELATES	FORUM IN WHICH THE DISPUTE IS PENDING
Central Excise Act,1944	Excise duty and penal interest thereon	12,951,359.00	1989-1993	Commisioner of Central Excise, Pondicherry
Finance Act,1994	Service Tax	109,647,427.00	2006-2010	Commissioner of Service Tax, Kolkata
Finance Act,1994	Service Tax	2,838,829.00	2002-2009	Commissioner (Appeals), Central Excise, Allahabad
Finance Act,1994	Service Tax	180,682,597.00	2003-2005	CESTAT, Kolkata
Finance Act,1994	Service Tax	423,800.00	2006-2008	Commisioner (Appeals), Central Excise, Kolkata
Finance Act,1994	Service Tax	3,980,137.00	2004-2007	The Additional/Joint Commissioner, Service Tax,Kolkata
Finance Act,1994	Service Tax	2,820,444.00	2004-2007	Addl. Commissioner, Service Tax
West Bengal Value Added Tax Act,2003	VAT	13,008,951.00	2004-2006	West Bengal Appellate and Revisional Board
West Bengal Value Added Tax Act,2003	VAT	74,525,243.00	2006-2007	Senior Joint Commissioner Corporate Division, Kolkata
Bihar Finance Act,1981 Adopted by Govt of Jharkhand	VAT	5,376,372.00	2003-2004	DCCT Chirkunda
APGST Act'1957	Sales Tax	3,070,036.00	1994-1998	Sales Tax Appellate Tribunal-Hyderabad
OST Act,1947	Sales Tax	166,333.00	2003-2004	Asst. Commissioner, Comercial Taxes, Cuttack
WBST Act,1994	Sales Tax	390,375.00	2003-2004	Deputy Commisioner, Commercial Taxes,Kolkata
Rajasthan Sales Tax Act,1994	Sales Tax	132,840.00	2005-2006	Deputy commisioner (Appeals), Udaipur
UP Trade Tax Act,1948	Sales Tax	130,111.00	2003-2004	Deputy commisioner (Appeals)
Central Sales Tax Act,1956	Central Sales Tax	250,901.00	2005-2006	Senior Joint Commisioner, Sales Tax

## BALANCE SHEET AS AT 31st MARCH 2011

	Schedule No.	As at 31st March 2011 (Rs.'000)	As at 31st March 2010 (Rs.'000)
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
a) Capital	1	310,938	310,938
b) Reserves and Surplus	2	2,352,165	1,943,237
<b>2. Loan Funds</b>			
a) Secured Loans	3	2,988,251	2,010,008
<b>3. Deferred Tax Liability</b>			
	13	116,683	93,683
<b>Total</b>		<b><u>5,768,037</u></b>	<b><u>4,357,866</u></b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
a) Gross Block		1,257,085	1,004,838
b) Less : Depreciation and Amortisation		212,412	130,607
c) Net Block	4	<u>1,044,673</u>	<u>874,231</u>
d) Capital Work In Progress		–	733
<b>2. Investments</b>			
	5	1,561,830	1,567,674
<b>3. Current Assets, Loans and Advances</b>			
a) Inventories	6	139,963	263,720
b) Sundry Debtors	7	12,669,115	9,943,609
c) Cash and Bank Balances	8	431,230	326,189
d) Other Current Assets	9	1,379,552	806,967
e) Loans and Advances	10	2,362,043	2,094,121
		<b><u>16,981,903</u></b>	<b><u>13,434,606</u></b>
<b>Less : Current Liabilities and Provisions</b>			
a) Liabilities	11	13,485,785	11,386,813
b) Provisions	12	334,584	132,565
		<b><u>13,820,369</u></b>	<b><u>11,519,378</u></b>
<b>Net Current Assets</b>		<b><u>3,161,534</u></b>	<b><u>1,915,228</u></b>
<b>Total</b>		<b><u>5,768,037</u></b>	<b><u>4,357,866</u></b>
<b>Notes on Accounts</b>	19		

Schedules referred to above form an integral part of the Balance Sheet  
This is the Balance Sheet referred to in our Report of even date.

For **Lovelock & Lewes**  
Firm Registration Number 301056E  
Chartered Accountants  
**Partha Mitra**  
Partner  
Membership No. 50553  
Kolkata, 27th June, 2011

**Deepak Khaitan**  
**Prasanta Kumar Chandra**  
**Prabir Ghosh**  
**D. Chatterjee**

- Chairman  
- Whole Time Director & COO  
- Whole Time Director & Group CFO  
- Vice President & Company Secretary



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

	Schedule No.	For the year ended 31st March, 2011 (Rs.'000)	For the year ended 31st March, 2010 (Rs.'000)
<b>INCOME</b>			
Sale of Equipments and contract revenue		17,541,364	14,843,699
		<u>17,541,364</u>	<u>14,843,699</u>
Other Income	14	204,841	29,907
<b>Total</b>		<b><u>17,746,205</u></b>	<b><u>14,873,606</u></b>
<b>EXPENDITURE</b>			
Materials	15	9,190,759	8,991,397
Outsourcing Expenses to outsiders for job work Expenses	16	4,235,036	2,753,947
Assets/Advance/ Debts written off	17	3,055,121	2,230,421
Depreciation and Amortisation		104,437	10,880
Interest and Finance charges (Net)	18	83,246	49,558
		340,954	304,977
<b>Total</b>		<b><u>17,009,554</u></b>	<b><u>14,341,180</u></b>
<b>PROFIT BEFORE TAXATION</b>		<b>736,651</b>	<b>532,426</b>
<b>TAXATION FOR THE YEAR</b>			
Current Tax		234,500	175,197
Deferred Tax		23,000	10,295
		<b>257,500</b>	<b>185,492</b>
<b>PROFIT AFTER TAXATION</b>		<b>479,151</b>	<b>346,934</b>
Brought forward from previous year		990,542	714,519
		<b><u>1,469,693</u></b>	<b><u>1,061,453</u></b>
<b>APPROPRIATIONS</b>			
Proposed Dividend		62,188	46,641
Dividend Tax		8,035	6,170
Transfer to General Reserve		36,000	18,100
Balance carried forward		1,363,470	990,542
		<b><u>1,469,693</u></b>	<b><u>1,061,453</u></b>
<b>Notes on Accounts</b>	19		
Earnings per Share (Refer Note 18 on Schedule 19)			
Basic		15.41	11.16
Diluted		15.41	11.16

Schedules referred to above form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our Report of even date.

For **Lovelock & Lewes**  
Firm Registration Number 301056E  
Chartered Accountants  
**Partha Mitra**  
Partner  
Membership No. 50553  
Kolkata, 27th June, 2011

**Deepak Khaitan**  
**Prasanta Kumar Chandra**  
**Prabir Ghosh**  
**D. Chatterjee**

- Chairman  
- Whole Time Director & COO  
- Whole Time Director & Group CFO  
- Vice President & Company Secretary

## SCHEDULES

	As at 31st March 2011 (Rs.'000)	As at 31st March 2010 (Rs.'000)
<b>1. Capital</b>		
<b>Authorised</b>		
4,00,00,000 Equity Shares of Rs. 10/- each	<u>400,000</u>	<u>400,000</u>
<b>Issued and Subscribed</b>		
3,10,93,818 Equity Shares of Rs. 10/- each fully paid up	310,938	310,938
<b>Notes :</b>		
Of the above Shares:		
i) 4,86,100 Shares were allotted as fully paid-up pursuant to Contracts without payments being received in cash;		
ii) 12,57,930 Shares were issued as fully paid-up Bonus Shares by Capitalisation of General Reserve		
<b>Total</b>	<u><b>310,938</b></u>	<u><b>310,938</b></u>
<b>2. Reserves and Surplus</b>		
Capital Redemption Reserve	<u>100</u>	<u>100</u>
Securities Premium Account	<u>846,030</u>	<u>846,030</u>
General Reserve		
Balance as per last account	<u>106,565</u>	<u>88,465</u>
Add : Transferred from Profit and Loss account	<u>36,000</u>	<u>18,100</u>
Balance as at 31st March, 2011	<u>142,565</u>	<u>106,565</u>
Profit and Loss Account		
Balance as per last account	<u>990,542</u>	<u>714,519</u>
Add : Profit for the year	<u>372,928</u>	<u>276,023</u>
Balance as at 31st March, 2011	<u>1,363,470</u>	<u>990,542</u>
<b>Total</b>	<u><b>2,352,165</b></u>	<u><b>1,943,237</b></u>

## SCHEDULES

	As at 31st March 2011 (Rs.'000)	As at 31st March 2010 (Rs.'000)
<b>3. Secured Loans</b>		
From Banks :		
Overdraft including Working Capital Demand Loans	2,258,649	1,089,289
Secured on a pari passu basis by the current assets of the Company and collaterally by a parri passu mortgage charge on Kumardhubi unit 1 of McNally Sayaji Engineering Limited (MSEL), a subsidiary of the Company excluding packing credit loan of Rs. 342,745,942 secured by a second charge on the current assets of the company (Refer Note 2 on Schedule 19)		
Term Loans	724,995	908,465
Term loan on Rs. 3,437,50,000 is secured on a pari passu basis on fixed assets of the Company along with other participating banks excluding assets on which specific charge has been created and pari passu first charge on the fixed assets of Kumardhubi, Bangalore & Assansol unit of MSEL along with other banks except those exclusively charged. Term loan of Rs. 381,244,500 is secured by specific charge on certain fixed assets of the Company (Refer Note 2 on Schedule 19)		
Car Loans	587	3,072
Secured by hypothecation of motor vehicles acquired out of these loans.		
From Others :		
Equipment Finance Loan	3,050	8,578
Secured by hypothecation of the tangible movable assets acquired out of these loans.		
Car Loan	970	604
Secured by hypothecation of motor vehicles acquired out of these loans.		
<b>Total</b>	<b><u>2,988,251</u></b>	<b><u>2,010,008</u></b>

## SCHEDULE

### 4. Fixed Assets

Rs '000

Particulars	GROSS BLOCK AT COST / VALUATION			DEPRECIATION / AMORTISATION			NET BLOCK		
	As at 1st April, 2010	Additions	Deletion	As at 31st March, 2011	As at 1st April, 2010	For the year	Deletion	As at 31st March, 2011	As at 31st March, 2010
<b>TANGIBLE ASSETS</b>									
Free Hold Land	56,554	-	56,554	-	-	-	-	-	56,554
Building	6,203	-	6,203	-	526	159	685	-	5,677
Plant & Machinery	715,062	277,967	1,030	991,999	85,680	48,938	23	134,595	629,382
Furniture & Fixture	77,929	18,843	6,915	89,857	5,139	5,853	84	10,908	72,790
Refrigerators & Air Conditioners	20,339	4,264	22	24,581	1,625	1,042	3	2,664	18,714
Office Equipments	33,449	8,538	-	41,987	1,687	1,738	-	3,425	31,762
Vehicles	7,375	7,234	4,473	10,136	1,190	886	645	1,431	6,185
Telephone Plant	4,685	222	23	4,884	155	225	1	379	4,530
<b>INTANGIBLE ASSETS</b>									
Computer Software	83,242	10,399	-	93,641	34,605	24,405	-	59,010	48,637
<b>Total</b>	<b>1,004,838</b>	<b>327,467</b>	<b>75,220</b>	<b>1,257,085</b>	<b>130,607</b>	<b>83,246</b>	<b>1,441</b>	<b>212,412</b>	<b>874,231</b>
<b>Previous Year</b>	<b>500,192</b>	<b>522,253</b>	<b>17,607</b>	<b>1,004,838</b>	<b>86,813</b>	<b>49,558</b>	<b>5,764</b>	<b>130,607</b>	<b>874,231</b>

## SCHEDULES

	As at 31st March 2011 (Rs.'000)	As at 31st March 2010 (Rs.'000)
<b>5. Investments -Unquoted unless otherwise stated</b>		
Current - Other than trade (at cost or market value whichever is lower)		
Investment in 143,059.061 ( 2010-11-15,135.174 Units) of IDFC Liquid Fund - Growth	2,500	19,210
Long Term (at cost)		
A. IN SUBSIDIARY COMPANIES		
99% (2009-10-99%) Shares fully paid up in EWB-MBE International Kornyezvetvedelmi Kft. Hungary	7,427	7,427
2,80,548 (2009-10 - 2,48,570) Equity shares in MBE Mineral Technologies Pte Ltd ( Formerly MBE Holding Pte Ltd) of 10 Singapore Dollar each	93,069	82,672
63,29,698 Equity Shares of Rs. 10 each fully paid up in McNally Sayaji Engineering Limited ( Quoted ) *	1,455,671	1,455,671
99,400 Equity shares of Rs.10 each fully paid in McNally Bharat Equipments Limited	994	994
99,400 Equity shares of Rs.10 each fully paid in McNally Bharat Infrastructure Limited	994	994
100% shares of MBE Minerals Zambia Ltd.	469	-
B. TRADE INVESTMENTS		
24,970 Equity shares of Rs.10 each fully paid in Jayamkondam Lignite Power Corporation Limited	250	250
C. OTHER THAN TRADE		
10,960 Equity Shares of Rs 5 each fully paid up in Eveready Industries India Ltd.(Quoted)	228	228
10,960 Equity Shares of Rs 5 each fully paid up in Mcleod Russel India Ltd (Quoted)	228	228
<b>Total</b>	<b>1,561,830</b>	<b>1,567,674</b>
<b>Aggregate Book Value of Unquoted Investments</b>	<b>105,703</b>	<b>111,547</b>
<b>Aggregate Book Value of Quoted Investments</b>	<b>1,456,127</b>	<b>1,456,127</b>
<b>Aggregate Market Value of Quoted Investments</b>	<b>1,179,836</b>	<b>1,185,876</b>
* The market value of the shares in McNally Sayaji Engineering Limited (MSEL) is based on the price as per preferential allotment made during 2009-10 by MSEL as there was no trading in such shares since then.		
<b>6. Inventories</b>		
(Refer Note1 (vi) on Schedule 19)		
Stores and Spare Parts	2,097	4,355
Raw Materials	137,866	259,365
<b>Total</b>	<b>139,963</b>	<b>263,720</b>

## SCHEDULES

	As at 31st March 2011 (Rs.'000)	As at 31st March 2010 (Rs.'000)
<b>7. Sundry Debtors</b>		
Unsecured- Considered Good		
Debts outstanding for a period exceeding six months*	5,877,723	3,226,336
Other Debts - Considered good #	6,791,392	6,717,273
* Including Retention money not due Rs. 4,334,264,509 (2009-10 Rs. 2,134,422,955)		
# Includes due from Subsidiary Company Rs. 83,103,024 (2009-10 Rs. 5,515,000)		
<b>Total</b>	<b><u>12,669,115</u></b>	<b><u>9,943,609</u></b>
<b>8. Cash and Bank Balances</b>		
Cash in hand	5,408	5,426
Cheques in hand	3,704	51,100
Remittance in transit	1,772	-
With Scheduled Banks :		
On Current Account *	413,213	262,810
On Deposit Account**	7,133	6,853
<b>Total</b>	<b><u>431,230</u></b>	<b><u>326,189</u></b>
* Includes Rs. 24,984 (2009-10 Rs. 902,762) in Escrow Account		
** Includes Rs. 6,994,681 (2009-10 Rs. Nil) on margin money accounts.		
<b>9. Other Current Assets</b>		
Due from Customers (Project related activity) (Refer Note 15 on Schedule 19)	1,379,552	806,967
	<b><u>1,379,552</u></b>	<b><u>806,967</u></b>
<b>10. Loan and Advances - Unsecured considered Good</b>		
Advance to Subsidiaries	166,929	328,384
Advances recoverable in cash or in kind or for value to be received	1,969,821	1,507,309
Balance with Customs, Port Trust, etc	63,685	99,452
Deposits with Government, Public bodies and Others	161,608	158,976
<b>Total</b>	<b><u>2,362,043</u></b>	<b><u>2,094,121</u></b>

## SCHEDULES

	As at 31st March 2011 (Rs.'000)	As at 31st March 2010 (Rs.'000)
<b>11. Current Liabilities</b>		
Acceptances	571,125	159,407
Sundry Creditors		
Total outstanding dues of Micro and Small enterprises (Refer Note 13 on Schedule 19)	–	–
Total outstanding dues of creditors other than micro and small enterprises	5,566,594	4,231,591
Dues to Subsidiary	718,084	1,159,141
Due to Customers ( Project related activity )	3,323,290	2,612,361
Advance Payment from customers	3,031,053	2,841,023
Other Liabilities	274,762	380,376
Interest accrued but not due on loan	877	2,914
<b>Total</b>	<b><u>13,485,785</u></b>	<b><u>11,386,813</u></b>
There are no amounts due and outstanding to be credited to Investor Education and Protection Fund		
<b>12. Provisions</b>		
Provision for Payment of Tax (Net of Advance Payments Rs. 474,209,395, 2009-10 Rs. 170,340,855)	169,330	4,553
Proposed Dividend	62,188	46,641
Dividend Tax	8,035	6,170
Provision for Employee Benefits	95,031	75,201
<b>Total</b>	<b><u>334,584</u></b>	<b><u>132,565</u></b>
<b>13. Deferred Tax</b>		
Liabilities:		
Depreciation	144,034	110,321
Assets :		
Sec 43B items	(20,641)	(14,976)
Other Items	(6,710)	(1,662)
<b>Total</b>	<b><u>116,683</u></b>	<b><u>93,683</u></b>
	<b>For the yeat ended 31, March 2011 (Rs.'000)</b>	<b>For the yeat ended 31, March 2010 (Rs.'000)</b>
<b>14. Other Income</b>		
Service Charges (Gross)	42,942	10,704
Dividend from Long term Investments ( other than trade)	49	22
Dividend from Subsidiary company	12,659	9,495
Profit on Sale of Fixed Assets ( Net)	29,663	224
Profit on Sale of Current Investment (Net)	3,981	1,210
Sale of scrap	33,539	7,068
Miscellaneous Income	34,169	1,184
Gain on Exchange Fluctuation (Net)	47,839	–
<b>Total</b>	<b><u>204,841</u></b>	<b><u>29,907</u></b>

## SCHEDULES

	For the year ended 31st March 2011 (Rs.'000)	For the year ended 31st March 2010 (Rs.'000)
<b>15. Materials</b>		
Stock as at 1st April 2010	259,365	54,988
Add : Purchases	2,565,540	3,163,983
	<b>2,824,905</b>	<b>3,218,971</b>
Less : Stock as at 31st March 2011	137,866	259,365
Consumption of Raw Materials	<u>2,687,039</u>	<u>2,959,606</u>
Consumption of bought out Components and Spare Parts	<u>6,503,720</u>	<u>6,031,791</u>
<b>Total</b>	<b><u>9,190,759</u></b>	<b><u>8,991,397</u></b>
<b>16. Expenses</b>		
Salaries, wages and bonus	1,056,333	642,863
Contribution to provident and other funds	54,529	37,515
Workmen and staff welfare expenses	100,748	51,292
Professional Services	309,366	216,742
Consumption of Stores and Spare Parts	40	1,089
Power and Fuel	89,334	52,145
Repairs to Building	23	38
Repairs to Machinery	5,150	4,531
Repairs - others	49,298	25,318
Rent	105,714	42,453
Subscriptions and donations	5,427	5,193
Bank charges	216,399	166,831
Rates and taxes	30,826	105,088
Insurance	36,094	27,032
Cartage and freight	597,861	495,877
Directors' fees	2,240	2,000
Travelling	204,929	162,852
Running and maintenance of vehicles	724	1,632
Loss on sale of Investments	-	19,753
Loss on Exchange Fluctuations (Net)	-	36,838
Royalty	124	127
Miscellaneous expenses	189,963	133,212
<b>Total</b>	<b><u>3,055,122</u></b>	<b><u>2,230,421</u></b>



## SCHEDULES

	For the year ended 31st March 2011 (Rs.'000)	For the year ended 31st March 2010 (Rs.'000)
<b>17. Assets/ Advance/ Debts written off</b>		
Assets written off	–	10,737
Debts written off	104,437	–
Advances written off	–	143
<b>Total</b>	<b><u>104,437</u></b>	<b><u>10,880</u></b>
<b>18. Interest and Finance charges</b>		
Interest		
On Fixed Loans	99,917	104,162
On Others	198,736	186,017
	<b><u>298,653</u></b>	<b><u>290,179</u></b>
Less : Interest earned (gross)		
On Fixed Deposit with Bank and Others [Tax deducted at source Rs. 94,340 (2009-10 - Rs. 245,595)]	1,452	2,588
On Income Tax refund	4,917	5,939
	<u>292,284</u>	<u>281,652</u>
Bill Discounting charges	48,670	23,325
<b>Total</b>	<b><u>340,954</u></b>	<b><u>304,977</u></b>

## SCHEDULES

### 19. Notes on Accounts

#### 1. Accounting Policy Statement

- i. The Financial Statements are prepared to comply in all material respects with all the applicable accounting principles in India, the applicable accounting standards notified u/s 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.
- ii. BASIS OF ACCOUNTING  
The financial statements are prepared in accordance with the historical cost convention.
- iii. FIXED ASSETS
  - a) Fixed Assets are stated at their cost. Cost includes inward freight, duties and taxes and expenses incidental to acquisition and installation of fixed assets. Borrowing costs related to the acquisition or construction of the qualifying assets for the period upto the completion of their acquisition or construction are capitalized. Own manufactured assets are capitalized at cost including an appropriate share of overheads.
  - b) Depreciation  
Depreciation on assets is provided on Straight Line Method at rates specified in Schedule XIV to the Companies Act, 1956 as prevailing on the date of acquisition of the assets except for certain items of plant and machinery which are depreciated at 7.07% - 11.31% as they are higher than Schedule XIV rates.
  - c) Profit and Loss on disposal of Fixed Assets is recognized in Profit and Loss Account.
  - d) Intangible assets are amortized over a period of three to five years on straight line basis.
  - e) An impairment loss is recognized where applicable when the carrying value of the fixed assets exceeds its market value or value in use, whichever is higher.
- iv. GOVERNMENT GRANTS  
Grants / Subsidies that relate to Capital Expenditure are deducted from the cost of the assets. Other grants / subsidies are credited to the Profit and Loss Account.
- v. INVESTMENTS  
Investments that are readily realizable and intended to be held for not more than one year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost. However provision for diminution in value is made to recognize a decline other than temporary in the value of investments.
- vi. INVENTORIES  
Inventories are stated at cost or net realizable value whichever is lower. Cost is determined on Weighted Average Basis. Cost comprises of expenditure incurred in the normal course of business in bringing such inventories to their location and condition.  
Obsolete, slow moving and defective stocks are identified at the time of physical verification of stocks and where necessary, provision is made for such stocks.
- vii. REVENUE RECOGNITION  
Revenue on contracts is recognized on percentage of completion method wherein the stage of completion is determined with reference to the ratio of the contract cost incurred for work performed upto the reporting date to the estimated total contract cost. In the case of unit rate contracts the stage of completion is determined with reference to the valuation of the actual amount of work completed as per the contracted rates. In cases where the current estimate of total contract cost and revenue indicate a loss, such loss is recognized as an expense.
- viii. FOREIGN CURRENCIES  
Transactions in foreign currency are recorded in Rupees by applying the rate of exchange ruling at the time of transactions. Exchange differences arising on the settlement of transactions are recognized as income or as expense in the period in which they arise.  
Monetary current assets and monetary current liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account. Non monetary items at the balance sheet date are stated at historical cost. The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. The premium or discount arising at the inception of a forward exchange contract is amortised as expense or income over the life of the contract. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.  
In respect of derivative contracts (other than forward exchange contracts covered under Accounting Standard 11 on 'The Effects Of Changes In Foreign Exchange Rates' ) gains and losses on settlement and mark to market loss (net) relating to outstanding contracts as on the Balance Sheet Date is recognized in the Profit and Loss Account.

## SCHEDULES

### 19. Notes on Accounts (Contd.)

#### ix. INCOME FROM INVESTMENTS

Income from Investment is included, together with related tax credit, in the Profit and Loss Account on an accrual basis.

#### x. EMPLOYEE BENEFITS

##### (a) Defined Contribution Plans

###### Provident Fund :

Contribution to Provident Fund, which is administered by an independent Trust / Fund maintained by the Regional Fund Commissioner, is charged to the Profit and Loss Account. In respect of Provident Fund contributions are made to an independent fund administered by a Trust, the interest rate payable to the members of the Trust is not lower than the statutory rate of interest declared by the Central Government under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 and shortfall, if any, is made good by the Company.

###### Pension :

The Company operates a superannuation fund scheme for certain of its employees towards which the Company contributes upto a maximum of 15% of the employees' current salary, which is charged to the Profit and Loss Account. The scheme, which is fully funded, is administered by Trustees and is independent of the Company's finance.

##### (b) Defined Benefit Plans

###### Gratuities, Leave Encashment and Post Retirement Medical Benefit :

The Company operates a Gratuity Fund Scheme for its employees. The liability in respect of contributions of these funds is ascertained on the basis of actuarial valuation at the year-end and provided for. The scheme, which is funded is administered by Life Insurance Corporation of India (LIC). Accrued liability towards leave encashment benefits payable to employees and post employment medical benefits extended to certain categories of employees (comprising of payment of annual medical insurance premium to cover hospitalization) within a defined monetary limit are evaluated on the basis of actuarial valuation at the end of the year and is recognized as a charge in the accounts.

##### (c) Other Long Term Employee Benefits

Other long term employee benefits comprising of entitlement to accumulation of Sick Leave and Long Service Award is provided based on actuarial valuation carried out in accordance with revised Accounting Standard 15 as at the end of the year

##### (d) Short Term Employee Benefits including compensated absence are recognised as an expense as per the Company's schemes based on expected obligation on an undiscounted basis.

##### (e) Actuarial gains and losses are recognized in the Profit and Loss Account.

#### xi. BORROWING COSTS

Borrowing costs attributable to the acquisition, construction or production of qualifying assets (i.e. assets that necessarily take substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset upto the date when such asset is ready for its intended use or sale. Other borrowing costs are recognized as an expense in the period in which they are incurred.

#### xii. TAXES ON INCOME

Current tax represents the amount that would be payable based on computation of tax as per prevailing taxation laws under the Income-tax Act, 1961.

Deferred Tax is recognized on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax assets are not recognized unless there is reasonable certainty and virtual certainty in case of unabsorbed loss and depreciation that sufficient future taxable income will be available against which such deferred tax assets can be realized.

## SCHEDULES

### 19. Notes on Accounts (Contd.)

#### xiii. PROVISIONS AND CONTINGENT LIABILITIES

The Company recognizes a provision when there is a present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or present obligation such that the likelihood of outflow of resources is remote, no provision or disclosure is made.

#### xiv. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Examples of such estimates include estimates of income taxes, future obligations under employment retirement benefit plans, provision for doubtful debts and advances and estimated useful life of tangible and intangible assets. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

2. As per the Scheme of Arrangement as sanctioned by the Hon'ble High Court at Calcutta vide its Order dated 28th July 2009 which was filed with the Registrar of Companies, West Bengal, Kolkata on 1st September 2009, for reconstruction of McNally Bharat Engineering Company Limited (MBECL) and its subsidiary viz McNally Sayaji Engineering Ltd (MSEL) the Products Division of MBECL engaged in the business of manufacture and/or procuring equipments for various engineering and infrastructure projects and having its units at Kumardhubi, in the State of Jharkhand and Asansol, in the State of West Bengal and Bangalore, in the State of Karnataka has been transferred to MSEL with effect from the appointed date, i.e. 01.04.2008. As per the scheme of arrangement the transfer and vesting of Products Division of the MBECL to MSEL shall be subject to the existing charges, mortgages and encumbrances, if any, over the assets or any part thereof, provided however, that such charges, mortgages and/or encumbrances shall be confined only to the assets of MBECL or part thereof on or over which they are subsisting on transfer to and vesting of such assets in MSEL and no such charges, mortgages and/or encumbrances shall extend over or apply to any other asset(s) of MSEL. Thus the existing charges on the assets of the Products Division for facilities enjoyed by MBECL will continue and vice versa. Accordingly working capital demand loans, cash credit facilities, term loans and other non fund based facilities of the Company are secured by assets which include those of the Product Division of MSEL.

	As at 31st March, 2011 Rs. in '000	As at 31st March, 2010 Rs. in '000
3. Claims against the company not acknowledged as debt	9,964	9,964
4. (a) Other money for which the Company is contingently liable :		
(i) Excise Duty matters pending in appeal related to issues of applicability and classification	12,951	12,951
(ii) Sales Tax/VAT matters pending in appeal relating to disputes regarding assessable value and exemptions claimed	97,759	97,759
(iii) Service Tax/VAT Matters pending in appeal relating to issues of applicability	300,393	288,751
(iv) Corporate guarantees given in favour of Subsidiary Companies	2,881,420	1,201,950
(v) Other guarantees given	32,000	32,000
(vi) Standby letter of credit	423,605	577,375
(vii) Liquidated damages relating to contract sales	Amount not readily ascertainable	Amount not readily ascertainable

The probable cash outflow in respect of the above matters is not determinable at this stage.

#### 5. Auditors' Remuneration:

Fees	2,000	2,000
Tax Audit	300	300
Miscellaneous Certificates	2,950	1,075
Out of Pocket Expenses	39	43
	<u>5,289</u>	<u>3,418</u>

## SCHEDULES

### 19. Notes on Accounts (Contd.)

#### 6. Directors' Remuneration:

	As at 31st March, 2011 Rs. in '000	As at 31st March, 2010 Rs. in '000
Remuneration to director included in Schedule 16 :		
Salary	4,522	16,950
Contribution to Provident and Other Funds	281	3,080
Perquisites, etc.	358	197
Directors' Fees	2,240	2000
Compensation for loss of Office	28,603	-
Leave Encashment	9,202	-
	<b>45,206</b>	<b>22,227</b>

#### 7. During the year, the Company has bought and sold the following investments :

Name of Investment	For the year ended 31st March 2011		For the year ended 31st March 2010	
	No of Units/shares (‘000)	Cost (Rs.‘000)	No of Units/shares (‘000)	Cost (Rs.‘000)
IDFC Mutual Fund (Savings Advantage - Plan A)	1,920	2,500	91,466	1,15,290
IDFC Mutual Fund (Cash Fund - Plan B)	589,063	1,000	-	-
McNally Sayaji Engineering Company Limited	-	-	531,656	119,059
Reliance Liquidity Fund Growth	17,818,451	25,000	-	-
Reliance Money Manager Fund Institutional (Liquid Plus)	249,691	250,033	-	-

8. The company had entered in September 2003 a joint venture agreement with Elsamex S.A. where officially it was appointed as a subcontractor in “West Bengal Corridor Development Project – Improvement of Gazole Hilli Section of SH 10 with a link to Balurghat from Patiram,” (the project). However consequent to considerable delay in execution of the project the Public Works Department of Government of West Bengal (PWD) had terminated the contract in January 2006. The company and Elsamex S.A. felt that such delay in execution was due to the inability of PWD to hand over the stretch of land for widening of road and non-availability of construction drawings on time by PWD. The company has a legitimate claim of Rs.15,16,90,568 towards receivable and Rs.11,33,09,901 on account of deposit against Performance Guarantee. Elsamex S.A. moved to arbitration and had claimed an amount of Rs.73,34,03,024 including an additional claim on consequential losses as per guidelines of “Federation Internationale Des Ingenieurs-Conseils” (FIDIC). Arbitral Board in their meeting held on 25th October 2010 has upheld Elsamex S.A.’s claim and has given favourable award in favour of Elsamex S.A. Under the award, a total amount of Rs. 35.35 crores is receivable by the company. A claim has already been lodged with PWD. PWD has preferred to challenge the verdict of the Arbitrators and has appealed to the High Court for a stay in the matter of payment of award money.

## SCHEDULES

### 19. Notes on Accounts (Contd.)

#### 9. Details on Consumption of Raw Materials, Components, Spare Parts, Stores, etc.

		For the year ended 31st March 2011		For the year ended 31st March 2010	
		Quantity	Amount Rs. '000	Quantity	Amount Rs. '000
<b>Raw Materials :</b>					
a) Steel	Tonnes	69,728	2,687,039	51,600	2,959,606
			<u>2,687,039</u>		<u>2,959,606</u>
<b>Components, Spare Parts, Stores, etc.</b>					
b) Motors	Nos.	49	6,149	68	18,935
c) Belting	Meters	18,997	48,079	5,522	58,021
d) Pipes	Meters	378,980	265,486	204,923	158,664
e) Others			6,184,046		5,797,260
			<u>6,503,760</u>		<u>6,032,880</u>

#### 10. Break-up of Imported and Indigeneous Materials Consumed

		Percentage %	Amount Rs. '000	Percentage %	Amount Rs. '000
<b>Raw Materials :</b>					
a) Imported		—	—	—	—
b) Indigeneous		100.00%	2,687,039	100.00%	2,959,605
		<u>100.00%</u>	<u>2,687,039</u>	<u>100.00%</u>	<u>2,959,605</u>
<b>Components, Spare Parts, Stores, etc</b>					
a) Imported		2.74%	181,173	13.33%	804,224
b) Indigeneous		97.26%	6,322,587	86.67%	5,228,656
		<u>100.00%</u>	<u>6,503,760</u>	<u>100.00%</u>	<u>6,032,880</u>

#### 11. Value of Import (CIF Basis)

	As at 31st March, 2011 Rs.'000	As at 31st March, 2010 Rs.'000
Components, Spare Parts and Stores	181,173	804,224
Capital Goods	—	53,747
	<u>181,173</u>	<u>857,971</u>

## SCHEDULES

### 19. Notes on Accounts (Contd.)

	As at 31st March, 2011 Rs. in '000	As at 31st March, 2010 Rs. in '000
<b>12 a) Expenditure in Foreign Currency</b>		
Travelling	11,628	6,245
Professional and consultation fees	39,549	1,66,102
Others	9,428	-
	<b>60,605</b>	<b>172,347</b>
<b>b) Earnings in foreign currency</b>		
Sale of Contracts	898,906	-
	<b>898,906</b>	<b>-</b>
13. There are no dues payable to Micro enterprises and Small enterprises on the basis of information available with the Company regarding Micro and Small Enterprise under Micro, Small and Medium Enterprises Development Act, 2006.		
14. The Company has leasing arrangements in respect of operating leases for premises (residential, office, etc.). These leasing arrangements which are not non-cancellable are for a period of 3 years, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent under Schedule 16.		
<b>15. Information in respect of contracts in progress:</b>		
	<b>2010-11 Rs. in '000</b>	<b>2009-10 Rs. in '000</b>
Contract costs incurred	43,440,102	28,299,261
Add : Recognised profits net of recognised losses	3,766,640	1,655,235
Contract Revenues	47,206,742	29,954,496
Progress billing	49,150,480	31,759,889
Unbilled Revenue (Net)	(1,943,738)	(1,805,312)
Due from customers	1,379,552	806,967
Due to customers	3,323,290	2,612,361
Advance payments received	3,012,704	2,801,778
Amount of retentions	5,525,258	3,349,345

## SCHEDULES

### 19. Notes on Accounts (Contd.)

#### 16. Defined Benefit Plans :

As per Actuarial valuation as on 31st March, 2011 and recognised in the financial statements in respect of Defined Employee Benefit Schemes

Description	Gratuity (Funded)	Gratuity (Funded)	Leave Encashment (Unfunded)	Leave Encashment (Unfunded)	Post Retirement Medical Benefit (Unfunded)	Post Retirement Medical Benefit (Unfunded)
	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000
	31.3.2011	31.3.2010	31.3.2011	31.3.2010	31.3.2011	31.3.2010
<b>(a) Reconciliation of Opening and Closing balances of the Present Value of the Defined Benefit Obligation</b>						
Present Value of Obligation at the beginning of the year	35,264	19,897	41,355	24,429	195	-
Current Service Cost	10,220	6,513	4,172	4,219	123	195
Interest Cost	3,558	2,344	3,650	2,522	-	-
Actuarial (Gains)/Losses	6,127	6,510	18,207	13,183	(195)	-
Benefits Paid	(6,706)	-	(17,478)	(269)	-	-
Present Value of Obligation at the end of the year	<b>48,463</b>	<b>35,264</b>	<b>49,906</b>	<b>41,355</b>	<b>123</b>	<b>195</b>
<b>(b) Reconciliation of the Opening and Closing balances of Plan Assets</b>						
Fair Value of Plan Assets at the beginning of the year	21,966	16,578	-	-	-	-
Actual Return on Plan Assets	2,145	1,638	-	-	-	-
Actuarial Gains/(Losses) on plan Assets	(50)	(49)	-	-	-	-
Contributions	11,160	3,799	17,478	269	-	-
Benefits paid	(6,706)	-	(17,478)	(269)	-	-
Fair Value of Plan Assets at the end of the year	28,515	21,966	-	-	-	-



## SCHEDULES

### 19. Notes on Accounts (Contd.)

Description	Gratuity (Funded)	Gratuity (Funded)	Leave Encashment (Unfunded)	Leave Encashment (Unfunded)	Post Retirement Medical Benefit (Unfunded)	Post Retirement Medical Benefit (Unfunded)
	Rs.in'000 31.3.2011	Rs.in'000 31.3.2010	Rs.in'000 31.3.2011	Rs.in'000 31.3.2010	Rs.in'000 31.3.2011	Rs.in'000 31.3.2010
<b>(c) Expense recognised in the Profit and Loss Account</b>						
Current Service Cost	10,220	6,513	4,172	4,219	123	195
Interest Cost	3,558	2,344	3,650	2,522	-	-
Actual Return on Plan Assets	(2,145)	(1,638)	-	-	-	-
Actuarial (Gains)/Losses	6,127	6,510	18,207	13,183	(195)	-
Actuarial Loss/(Gains) on plan Assets	50	49	-	-	-	-
Total Expense recognized	<b>17,810</b>	<b>13,778</b>	<b>26,029</b>	<b>19,924</b>	<b>(72)</b>	<b>195</b>
<b>(d) Category of Plan Assets :</b>						
Fund with LIC	20,149	21,966	-	-	-	-
Balance with Bank	8,366	-	-	-	-	-
<b>Total</b>	<b>28,515</b>	<b>21,966</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(e) Actuarial Assumptions</b>						
Discount Rate ( Per annum )	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Expected Rate of Return on Assets (Per annum)	8.50%	8.50%	0.00%	0.00%	0.00%	0.00%
Mortality Rate	In accordance with standard table LIC (1994-96) ultimate	In accordance with standard table LIC (1994-96) ultimate	In accordance with standard table LIC (1994-96) ultimate	In accordance with standard table LIC (1994-96) ultimate	In accordance with standard table LIC (1994-96) ultimate	In accordance with standard table LIC (1994-96) ultimate

## SCHEDULES

### 19. Notes on Accounts (Contd.)

#### f) Reconciliation of the Present Value of the Defined Benefit Obligation and the Fair Value of Plan Assets

Particulars	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000
	31.3.2011	31.3.2010	31.3.2009	31.3.2008	31.3.2011	31.3.2010	31.3.2009	31.3.2008	31.3.2011	31.3.2010	31.3.2010
Present Value of Obligation at the end of the year	48,463	35,264	19,897	40,746	49,906	41,355	24,429	23,031	123	195	195
Fair Value of Plan Assets at the end of the year	28,515	21,966	16,578	30,309	-	-	-	-	-	-	-
Assets/(Liabilities) recognized in the Balance Sheet	(19,949)	(13,297)	(3,319)	(10,437)	(49,906)	(41,355)	(24,429)	(23,031)	(123)	(195)	(195)
Experience Gain/(Loss) adjustments on plan liabilities	6,127	6,511	1,789	Not Available	18,207	13,183	5,996	-	195	-	-
Experience Gain/(Loss) adjustments on plan assets	(50)	(49)	(59)	Not Available	-	-	-	-	-	-	-

## SCHEDULES

### Notes :

- (a) The estimates of future salary increases, considered in actuarial valuations, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The expected return on plan assets is based on actuarial expectation of the average long term rate of return expected on investment of funds during the estimated term of the obligation.
  - (b) The fair value of plan asset have been segregated between the company and the erstwhile product division of MBECL now a part of McNally Sayaji Engineering Limited on the basis of the present value of the obligations as at the end of the year.
  - (c) Amount recognized as an expense :
    - (i) Contribution to Salaries, wages, bonus include charge on account of Leave Enachment Rs.26,030,114/- (2009-10- Rs. 19,925,293/-).
    - (ii) Contribution to Provident and other Funds includes charge on account of Gratuity Rs.17,809,426/- (2009-10- Rs. 13,778,311).
    - (iii) Contribution to Workmen and staff welfare includes charge on account of Long Service Award of Rs. 111,921/- (2009-10-Rs. 271,692/-) Sick Leave of Rs. 5,968,034/- (2009-10-Rs. 10,369,023/-) and on account of post Retirement Medical Benefit Rs. (72,130/-) (2009-10- Rs. 194,885/-).
    - (iv) Contribution to provident and other funds in Schedule 16 includes Rs. 36,090,932/- (2009-10 Rs. 37,515,218/-) towards contribution to Defined Contribution plans viz. Provident Fund, Pension Fund and Superannuation Fund.
17. Related party disclosures as required by Accounting Standard 18 on Related Party Disclosures are as given below:

### Relationships

- a) Subsidiaries of the Company
  - (i) EWB Kornyezetvedelmi Limited
  - (ii) McNally Sayaji Engineering Limited (MSEL)
  - (iii) McNally Bharat Equipments Limited (MBEL)
  - (iv) McNally Bharat Infrastructure Limited (MBIL)
  - (v) MBE Mineral Technologies Pte Limited (formerly MBE Holdings Pte Limited)
  - (vi) MBE Minerals Zambia Ltd (w.e.f 21.07.10)
- b) Subsidiary of MBE Mineral Technologies Pte Limited
  - (i) MBE Coal & Minerals Technology Gmbh
  - (ii) MBE Cologne Engineering Gmbh
  - (iii) MBE Minerals ( S.A.) (Proprietary) Limited
  - (iv) McNally Humbolt Wedag Minerals India (Private) Limited.  
[formerly Humbolt Wedag Minerals India (Private) Limited]

Subsidiaries of MBE Coal & Mineral Technologies GmbH

  - (v) MBE Mineral Processing Technology (Beijing) Co. Ltd
  - (iv) MBE Mineral Processing of Brazil LTDA
- c) Key Management Personnel :
 

Mr. Prasanta Kumar Chandra - Wholetime Director & COO (14.02.11 - 31.03.11)

Mr. Srinivash Singh - Managing Director (01.04.10 - 17.06.10)

## SCHEDULES

### 19. Notes on Accounts (Contd.)

	Rs. ' 000	McNally Humboldt Wedag Minerals India Pvt. Ltd.	MBE Mineral Technologies Pte Ltd, Singapore	MBE Cologine Engineering GmbH	MBE Coal and Minerals Technology GmbH	EWB Kormyezetvedelmi Kft Hungary	McNally Savaji Engineering Limited	McNally Bharat Equipments Limited	McNally Bharat Infrastructure Limited	MBE Minerals Zambia Limited
Purchase of Materials and components	-	(8201)	-	(-)	248	(320)	1,183,374 (1,467,724)	(-)	(-)	(-)
Rendering of services	3,196	(-)	(-)	619	2,418	(-)	40,272 (10,704)	(-)	(-)	(-)
Purchase of services	-	(-)	(-)	(-)	(-)	1,060 (12,199)	(-)	33,742	(-)	(-)
Sale of goods / contracts	24,615	(-)	(-)	(-)	(-)	(-)	18,153 (-)	(-)	(-)	(-)
Supply of Raw material	-	(-)	(-)	(-)	(-)	(-)	(5,308)	(-)	(-)	(-)
Bank Charges Reimbursed	-	(-)	(-)	870	1840	(-)	(-)	(-)	(-)	(-)
Rent paid	-	(-)	(-)	(-)	(-)	(-)	7,209	(-)	(-)	(-)
Sale of Fixed Assets	-	(-)	(-)	(-)	(-)	(-)	7,774	(-)	(-)	(-)
Loan Given	20,000	(55,000)	(-)	(-)	(-)	(-)	(-)	(-)	25,000	(-)
Loans repaid	20,000	(55,000)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Guarantee given	550,000	(20,000)	490,490 (969,990)	(60,560)	126,480 (151,400)	(-)	356,720 (-)	(-)	(-)	(-)
Standby Letter of Credit given	-	(-)	(577,375)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Dividend income	-	(-)	(-)	(-)	(-)	(-)	12,659 (9,945)	(-)	(-)	(-)
Advance against equity	-	(-)	118,366 (10,447)	(-)	(-)	(-)	(-)	(829)	(-)	(-)
Interest received on loan	566	(2,085)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)

I) Relating to parties referred in (a) & (b) above.

## SCHEDULES

### 19. Notes on Accounts (Contd.)

	Humboldt Wedag India Pvt. Ltd.	MBE Holding PTE Ltd. Singapore	MBE Cologne Engineering GmbH	MBE Coal and Minerals Technology GmbH	EWB Kornyzet-vedelmi Kft Hungary	McNally Sayaji Engineering Limited	McNally Bharat Equipments Limited	McNally Bharat Infrastructure Limited	M BE Minerals Zambia Limited
Share capital subscribed	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (994)	— (994)	469 (—)
<b>Balances Outstanding as at 31.03.11</b>									
Outstanding balance of advance given	— (157)	118,366 (10,447)	— (—)	— (—)	— (—)	— (316,950)	— (—)	51,387 (829)	998 (—)
Investments Outstanding	— (—)	93,069 (82,672)	— (—)	— (—)	7,427 (7,427)	1,445,671 (1,445,671)	994 (994)	994 (994)	469 (—)
Outstanding on account of Standby Letter of Credit given	— (—)	423,605 (577,375)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
Outstanding on account of Recovery of Expenses	— (—)	— (—)	— (—)	— (—)	— (—)	— (73,984)	— (—)	— (—)	— (—)
Guarantees Outstanding	570,000 (20,000)	1,426,880 (969,990)	63,240 (60,560)	284,580 (151,400)	— (—)	356,720 (—)	— (—)	— (—)	— (—)
Interest Receivable	45 (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
Outstanding receivable for supply of services	21,233 (—)	— (—)	— (—)	— (—)	— (—)	28,276 (5,515)	— (—)	— (—)	— (—)
Outstanding payable for materials and components	683 (7,750)	— (—)	— (—)	241 (—)	— (8,470)	692,600 (1,068,938)	— (—)	20,271 (—)	1,739 (—)
Advances Received	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	1715 (—)

Rs. '000

Rs. '000

ii) Relating to persons referred to in (c) above

Remuneration Paid  
Mr. Srinivas Singh

3,219  
(20,227)

Mr. P K Chandra  
Compensation for loss of office (Mr. Srinivas Singh)  
Leave encashment (Mr. Srinivas Singh)

1,942  
28,603  
9,202

Dividend Paid

2.1  
(3.6)

\* Figures in bracket are for the year ended 31st March 2010

## SCHEDULES

### 19. Notes on Accounts (Contd.)

#### 18. Earnings per Share (Basic and diluted)

	As at 31st March, 2011 Rs. in '000	As at 31st March, 2010 Rs. in '000
Number of Equity Shares at the beginning and end of the year.	31,093,818	31,093,818
Weighted average number of equity shares outstanding during the year	31,093,818	31,093,818
Profit after Taxation available for equity shareholders.	479,151	346,934
Face Value Of Each Equity Share	10.00	10.00
	<u>31,093,818</u>	<u>31,093,818</u>
Earnings Per Share-Basic	15.41	11.16
Diluted	15.41	11.16

19.	Currency pair	As at 31st March, 2011		As at 31st March, 2010	
		Buy (‘000)	Sell (‘000)	Buy (‘000)	Sell (‘000)
(a)	The Company uses Forward Exchange and other derivative Contracts to hedge its exposures in foreign currency. The information on such contracts outstanding as at year end are as follows:				
	– Loans	USD/INR	5,000	–	19,436
(b)	Foreign Exchange Currency Exposures recognised by the Company that have not been hedged by a Derivative Instrument or otherwise as at year end:				
	– Payables	USD/INR	587	–	98
		EUR/INR	1,197	–	1,103
		JPY/INR	–	–	1,064
		SEK/INR	3,968	–	2,700
	– Loans	USD/INR	24,237	–	–

20. Pursuant to the Announcement on Accounting for derivatives issued by the Institute of Chartered Accountants of India in March , 2008 , the company has accounted for during the year net loss amounting to Rs 3,31,00,641 ( 31.3.10-52,826,056) in respect of outstanding derivative contracts at the balance sheet date by marking them to market as indicated in Note 1 (viii) above. The aforesaid mark to market loss was included in “Gain on Exchange Fluctuation” in Schedule 14 to accounts .

21. Expenditure on R & D - In pursuit of R & D endeavors the company is continuously incurring R&D expenditure both on Capital and Revenue which has not been separately reflected but is being shown as part of regular heads of accounts in fixed assets and in Profit and Loss account respectively. Accordingly R & D revenue expenditure incurred during the year debited to various account heads is Rs. 28,662,473 (2009-10: Rs. 86,77,129) and on account of capital expenditure is Rs. 10,790,594 (2009-10: Rs. Nil).

22. Previous years figures have been regrouped or rearranged where considered necessary

Signatories to Schedule 1 to 19

For **Lovelock & Lewes**  
Firm Registration Number 301056E  
Chartered Accountants  
**Partha Mitra**  
Partner  
Membership No. 50553  
Kolkata, 27th June, 2011

**Deepak Khaitan** - Chairman  
**Prasanta Kumar Chandra** - Whole Time Director & COO  
**Prabir Ghosh** - Whole Time Director & Group CFO  
**D. Chatterjee** - Vice President & Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

	For the year ended 31st March, 2011		For the year ended 31st March, 2010	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>A. Cash Flow from Operating Activities :</b>				
<b>Net Profit Before Tax</b>		736,651		532,426
Adjustments for :				
Depreciation	83,246		49,558	
Interest Charged	298,653		290,179	
Interest Income	(6,369)		(8,527)	
Dividend Income	(12,708)		(9,517)	
Loss/( Profit) on Disposal of Fixed Assets (Net)	(29,663)		(224)	
Loss/(Profit) on Sale of Investment (Net)	(3,981)		18,543	
Advance written off	-		143	
Bad debt written off	104,437		-	
Provision for employee benefits (Net)	19,830		41,311	
Fixed Assets written off	-		10,737	
Unrealised Loss/(Gain) on Derivative Contracts	(19,725)		52,825	
Unrealised Loss/(Gain) on exchange (Net)	17,282	451,002	(31,384)	413,645
<b>Operating Profit Before Working Capital Changes</b>		<b>1,187,653</b>		<b>946,071</b>
Adjustments for :				
1. Trade & Other Receivables	(2,832,977)		(2,669,062)	
2. Inventories	123,757		(206,783)	
3. Trade & other Payables	1,409,236	(1,299,984)	2,386,304	(489,542)
<b>Cash Generated from Operations</b>		<b>(112,331)</b>		<b>456,529</b>
1. Direct Taxes Paid (net of refund received)	(69,723)		(164,382)	
		(69,723)		(164,382)
<b>Net Cash (used in)/from Operating Activities</b>		<b>(182,054)</b>		<b>292,147</b>
<b>B. Cash Flow from Investing Activities :</b>				
Purchase of Fixed Assets	(326,734)		(467,139)	
Sale of Fixed Assets	103,442		1,325	
Interest Received	6,369		8,527	
Dividend Received	12,708		9,517	
Purchase of Current Investments	(515,034)		(125,800)	
Sale of Current Investments	535,725		116,500	
Purchase of Investment in subsidiary	(469)		(82,672)	
Advance to Subsidiary Company	(137,629)		-	
Sale of Investment in subsidiary	-	(321,622)	99,307	(440,435)
<b>Net Cash Investing Activities</b>		<b>(321,622)</b>		<b>(440,435)</b>

## CASH FLOW STATEMENT (Contd.)

	For the year ended 31st March, 2011		For the year ended 31st March, 2010	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>C. Cash Flow from Financing Activities :</b>				
Interest Paid	(300,690)		(290,400)	
Proceeds from Long Term Borrowings	344,307		465,054	
Repayment of Long Term Borrowings	(552,019)		(77,439)	
Proceeds from Other Borrowings (Net)	1,169,360		143,518	
Dividend paid (including tax thereon)	(52,241)	608,717	(44,696)	196,037
<b>Net Cash from Financing Activities</b>		<b>608,717</b>		<b>196,037</b>
Net Increase/(Decrease) in Cash and Cash Equivalents		105,041		47,749
Cash & Cash Equivalents As on 31st March 2010 [Refer Schedule 8 to Accounts]		326,189		278,440
Cash & Cash Equivalents As on 31st March 2011 [Refer Schedule 8 to Accounts]		431,230		326,189

### Notes to the Cash Flow Statements for the year ended 31st March 2011

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement.
  - Schedule referred to above forms an integral part of the Cash Flow Statement
  - Previous year's figure have been rearranged and/or regrouped wherever necessary.
- This is the Cash Flow Statement referred to in our report of even date.

For **Lovelock & Lewes**  
Firm Registration Number 301056E  
Chartered Accountants  
**Partha Mitra**  
Partner  
Membership No. 50553  
Kolkata, 27th June, 2011

**Deepak Khaitan** - Chairman  
**Prasanta Kumar Chandra** - Whole Time Director & COO  
**Prabir Ghosh** - Whole Time Director & Group CFO  
**D. Chatterjee** - Vice President & Company Secretary



## STATEMENT REGARDING SUBSIDIARY COMPANIES

Pursuant to Section 212(1)(e), (3) and (5) of the Companies Act, 1956

1. The interest of McNally Bharat Engineering Company Limited in its Subsidiary Companies at the close of its financial year March 31, 2011 is stated as below:

Name of the Subsidiary Company	Holding Company's interest in the Subsidiary Company
a. McNally Sayaji Engineering Ltd (formerly Sayaji Iron and Engineering Co Ltd)	6,329,698 Equity Shares of Rs.10 each fully paid up issued by the Subsidiary Company
b. EWB Komyezetvedelmi Kft	99% subsidiary of McNally Bharat Engineering Company Ltd.
c. McNally Bharat Infrastructure Ltd	99,400 Shares
d. McNally Bharat Equipments Ltd	99,400 Shares
e. MBE Mineral Technologies Pte Ltd (formerly MBE Holdings Pte Ltd)	280,548 Shares of 10 Singapore Dollar each
f. MBE Minerals Zambia Ltd	100% Shares

2. The aggregate amount of profit or loss of the said Subsidiary Companies to the extent it concerns the members of the Holding Company and not dealt with the attached accounts of the Holding Company are as follows:

Name of the Subsidiary Company	Profit/Loss for the Financial Year ended March 31, 2011	Profit/Loss for the Previous Year since they became subsidiary
a. McNally Sayaji Engineering Ltd (formerly Sayaji Iron and Engineering Co Ltd)	Rs. 1318.62 Lacs	Rs. 4283.01 Lacs
b. EWB Komyezetvedelmi Kft	HUFORINT '000 368	HUFORINT '000 144057
c. McNally Bharat Infrastructure Ltd	Rs. 10.64 Lacs	Rs. 3.20 Lacs
d. McNally Bharat Equipments Ltd	Rs. (-) 0.31 Lacs	Rs. 0.62 Lacs
e. MBE Mineral Technologies Pte Ltd (formerly MBE Holdings Pte Ltd)	Rs. 832.44 Lacs	Rs. (-) 170.18 Lacs
f. MBE Minerals Zambia Ltd	Rs. (-) 101.37 Lacs	-

3. The net aggregate amounts of profit or loss of the above Subsidiary Companies which are dealt with in the attached accounts of the Holding Company:

Name of the Subsidiary Company	Profit/Loss for the Financial Year ended March 31, 2011	Profit/Loss for the Previous Year since they became subsidiary
a. McNally Sayaji Engineering Ltd (formerly Sayaji Iron and Engineering Co Ltd)	-	-
b. EWB Komyezetvedelmi Kft	-	-
c. McNally Bharat Infrastructure Ltd	-	-
d. McNally Bharat Equipments Ltd	-	-
e. MBE Mineral Technologies Pte Ltd (formerly MBE Holdings Pte Ltd)	-	-
f. MBE Minerals Zambia Ltd	-	-

Kolkata, August 12 2011

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. REGISTRATION DETAILS

Registration No. : U45202WB1961PLCo25181	State Code	21
Balance Sheet Date 31st March, 2011		

### II. CAPITAL RAISED DURING THE YEAR

(Amounts in Rs. Thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

### III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(Amount in Rs. Thousands)

Total Liabilities	5,651,354	Total Assets	5,651,354
SOURCES OF FUNDS			
Paid-up Capital	310,938	Reserves & Surplus	2,352,165
Secured Loans	2,988,251	Unsecured Loans	Nil
APPLICATION OF FUNDS			
Net Fixed Assets	1,044,673	Investments	1,561,830
Net Current Assets	3,161,534	Miscellaneous Expenditure	Nil
Accumulated Losses	Nil		

### IV. PERFORMANCE OF COMPANY

(Amount in Rs. Thousands)

Turnover	17,746,205	Total Expenditure	17,009,554
Profit before Tax	736,651	Profit after Tax	479,151
Earnings per share in Rs.	15.41	Dividend Rate %	20

### V. GENERIC NAME OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY

(as per monetary terms)

Description	ITC Code
1. Turnkey Projects in Bulk Material Handling	—
2. Turnkey Projects in Mineral Beneficiation	—
3. Manufacture and sale of equipment for such projects	—

Kolkata, 12th August, 2011

<b>Deepak Khaitan</b>	- Chairman
<b>Prasanta Kumar Chandra</b>	- Whole Time Director & COO
<b>Prabir Ghosh</b>	- Whole Time Director & Group CFO
<b>D. Chatterjee</b>	- Vice President & Company Secretary

## **AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF MCNALLY BHARAT ENGINEERING COMPANY LIMITED**

### **THE BOARD OF DIRECTORS OF MCNALLY BHARAT ENGINEERING COMPANY LIMITED**

1. We have audited the attached consolidated balance sheet of McNally Bharat Engineering Company Limited (the "Company") and its subsidiaries, hereinafter referred to as the "Group" (refer Note [1(b)] on Schedule 20 to the attached consolidated financial statements) as at 31st March 2011, the related consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of ten subsidiaries included in the consolidated financial statements, which constitute total assets of Rs 2,305,474 (in '000) and net assets of Rs 564,747 (in '000) as at 31st March 2011, total revenue of Rs. 2,310,575 (in '000), net profit of Rs. 35,930 (in '000) and net cash flows amounting to Rs. 44,493 (in '000) and for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements, notified under sub-section 3C of Section 211 of the Companies Act, 1956.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :
  - (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2011;
  - (b) in the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date: and
  - (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Kolkata, 14th July 2011

For **Lovelock & Lewes**  
Firm Registration Number 301056E  
*Chartered Accountants*  
**Partha Mitra**  
*Partner*  
Membership Number 50553

**CONSOLIDATED FINANCIAL STATEMENT**  
**BALANCE SHEET AS AT 31st MARCH 2011**

	Schedule		As at 31st March 2011 (Rs.'000)	As at 31st March 2010 (Rs.'000)
<b>I. SOURCES OF FUNDS</b>				
<b>1. Shareholders' Funds</b>				
a) Capital	1	310,938	310,938	
b) Share warrant application money		8,138	8,138	
c) Share warrant application money pending allotment		14,876	15,578	
d) Reserves and Surplus	2	<u>2,885,496</u>	<u>2,293,922</u>	2,628,576
<b>2. Minority Interest</b>			555,452	534,042
<b>3. Loan Funds</b>				
a) Secured Loans	3	5,261,473	3,412,657	
b) Unsecured Loans	4	<u>235,834</u>	<u>72,201</u>	3,484,858
<b>4. Deferred Tax Liability</b>	14		207,482	174,227
<b>Total</b>			<u><b>9,479,689</b></u>	<u><b>6,821,703</b></u>
<b>II. APPLICATION OF FUNDS</b>				
<b>1. Fixed Assets</b>				
a) Gross Block		4,197,431	3,781,531	
b) Less : Depreciation and Amortisation		<u>795,634</u>	<u>573,573</u>	
c) Net Block	5		3,401,797	3,207,958
<b>2. Capital Work In Progress</b>			357,024	41,076
<b>3. Investments</b>	6		293,294	27,264
<b>4. Current Assets, Loans and Advances</b>				
a) Inventories	7	1,499,015	1,172,895	
b) Sundry Debtors	8	14,336,835	11,345,823	
c) Cash and Bank Balances	9	1,122,393	1,245,709	
d) Other Current Assets	10	1,444,712	852,001	
e) Loans and Advances	11	<u>2,547,578</u>	<u>2,089,704</u>	
		<u><b>20,950,533</b></u>	<u><b>16,706,132</b></u>	
<b>Less : Current Liabilities and Provisions</b>				
a) Liabilities	12	14,813,268	12,834,687	
b) Provisions	13	<u>710,010</u>	<u>326,157</u>	
		<u><b>15,523,278</b></u>	<u><b>13,160,844</b></u>	
<b>Net Current Assets</b>			5,427,255	3,545,288
<b>5. Miscellaneous Expenditure</b> (to the extent not written off or adjusted)				
a) Preliminary Expenses		<u>319</u>	<u>117</u>	
<b>Total</b>			<u><b>9,479,689</b></u>	<u><b>6,821,703</b></u>
<b>Notes on Accounts</b>	20			

Schedules referred to above form an integral part of the Balance Sheet  
This is the Balance Sheet referred to in our Report of even date.

For **Lovelock & Lewes**  
Chartered Accountants  
Firm Registration Number 301056E  
**Partha Mitra**  
Partner  
Membership No. 50553  
Kolkata, 14th July, 2011

**Deepak Khaitan** - Chairman  
**Prasanta Kumar Chandra** - Wholetime Director & COO  
**Prabir Ghosh** - Wholetime Director & Group CFO  
**D. Chatterjee** - Vice President & Company Secretary

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

	Schedule	For the year ended 31st March 2011 (Rs '000)	For the year ended 31st March 2010 (Rs '000)
<b>INCOME</b>			
Sale of Equipments and contract revenue		22,649,039	17,391,841
Less : Excise Duty		326,818	283,604
		<u>22,322,221</u>	<u>17,108,237</u>
Energy Income - Wind Mill		10,218	11,511
Sale of Scrap		62,914	27,712
Sale of Trading Goods		-	671,220
Works Contract		-	202,358
Agency Commission		38,120	34,227
Other Income		273,984	99,223
<b>Total</b>	15	<b><u>22,707,457</u></b>	<b><u>18,154,488</u></b>
<b>EXPENDITURE</b>			
Consumption of Raw Materials and Components (Increase)/Decrease in Jobs-in-progress	16	11,184,841 (149,614)	9,915,154 317,001
Outsourcing Expenses to outsiders for job work Expenses	17	4,264,473	3,020,847
Advance/ Debts written off (net)	18	5,493,496	3,390,474
Depreciation and Amortisation		129,207	24,008
Interest and Finance charges (Net)	19	228,530	163,665
		486,363	425,821
<b>Total</b>		<b><u>21,637,296</u></b>	<b><u>17,256,970</u></b>
<b>PROFIT BEFORE TAXATION</b>			
		<b>1,070,161</b>	<b>897,518</b>
<b>TAXATION FOR THE YEAR</b>			
Current Tax		364,183	305,819
Deferred Tax		33,255	25,127
		<u>397,438</u>	<u>330,946</u>
<b>PROFIT AFTER TAXATION</b>			
		<b>672,723</b>	<b>566,572</b>
Less : Minority Interest		39,024	71,503
		<u>633,699</u>	<u>495,069</u>
Add : Brought forward from previous year		1,288,823	808,316
		<b><u>1,922,522</u></b>	<b><u>1,303,385</u></b>
<b>APPROPRIATIONS</b>			
Proposed Dividend		62,188	46,641
Dividend Tax		10,941	8,272
Transfer to General Reserve		36,000	18,100
Balance carried forward		1,813,393	1,230,372
		<u>1,922,522</u>	<u>1,303,385</u>
<b>Notes on Accounts</b>			
Earnings per Share (Refer Note 14 on Schedule 20)	20		
- Basic		20.38	15.92
- Diluted		20.38	15.92

Schedules referred to above form an integral part of the Profit and Loss Account.  
This is the Profit and Loss Account referred to in our Report of even date.

For **Lovelock & Lewes**  
Chartered Accountants  
Firm Registration Number 301056E  
**Partha Mitra**  
Partner  
Membership No. 50553  
Kolkata, 14th July, 2011

**Deepak Khaitan** - Chairman  
**Prasanta Kumar Chandra** - Wholetime Director & COO  
**Prabir Ghosh** - Wholetime Director & Group CFO  
**D. Chatterjee** - Vice President & Company Secretary

## SCHEDULES

	As at 31st March 2011 (Rs '000)	As at 31st March 2010 (Rs '000)
<b>1. Capital</b>		
Authorised		
4,00,00,000 Equity Shares of Rs. 10/- each	400,000	400,000
Issued and Subscribed		
3,10,93,818 Equity Shares of Rs. 10/- each fully paid up	310,938	310,938
<b>Total</b>	<b>310,938</b>	<b>310,938</b>
Note :		
Of the above Shares :		
i) 4,86,100 Shares were allotted as fully paid-up pursuant to Contracts without payments being received in cash;		
ii) 12,57,930 Shares were issued as fully paid-up Bonus Shares by Capitalisation of General Reserve		
<b>2. Reserves and Surplus</b>		
<b>Capital Redemption Reserve</b>	100	100
<b>Capital Reserve</b>		
Balance as per Last Account	31,759	-
Add : Addition during the year	-	31,759
Less : Adjusted during the year on acquisition of balance share of subsidiary	(418)	-
Balance as at 31st March, 2011	31,341	31,759
<b>Securities Premium Account</b>	846,030	846,030
<b>Revaluation Reserve</b>	22,337	22,337
<b>Foreign currency translation reserve</b>		
Balance as per last account	(1,692)	1,121
Add : Addition during the year	31,422	(2,813)
Balance as at 31st March, 2011	29,730	(1,692)
<b>General Reserve</b>		
Balance as per last account	106,565	88,465
Add : Transferred from Profit and Loss account	36,000	18,100
Balance as at 31st March, 2011	142,565	106,565
<b>Profit and Loss Account</b>		
Balance as per last account	1,288,823	808,316
Add : Profit for the year	524,570	422,056
Add Adjustment due to dilution of holding in subsidiary	-	58,451
Balance as at 31st March, 2011	1,813,393	1,288,823
<b>Total</b>	<b>2,885,496</b>	<b>2,293,922</b>

## SCHEDULES

	As at 31st March 2011 (Rs '000)	As at 31st March 2010 (Rs '000)
<b>3. Secured Loans</b>		
From Banks :		
Overdraft including Working Capital Demand Loans (Secured on a pari passu basis by the current assets of the group and collaterally secured by equitable mortgage of certain fixed assets of the group)	2,803,436	1,541,059
Term Loans (Secured on a pari passu basis by a charge on certain fixed assets of the group)	2,451,762	1,858,317
Car Loans (Secured by hypothecation of motor vehicles acquired out of these loans)	883	3,825
From Others		
Equipment Finance Loan (Secured by hypothecation of the tangible movable assets acquired out of these loan)	3,050	8,578
Car Loan (Secured by hypothecation of the tangible movable assets acquired out of these loans)	2,342	878
<b>Total</b>	<b><u>5,261,473</u></b>	<b><u>3,412,657</u></b>
<b>4. Unsecured Loans</b>		
Short Term Loan :		
From Banks (overdraft)	232,798	-
Bills Discounted	-	69,665
From others	3,036	-
Other Loans :		
From others	-	2,536
<b>Total</b>	<b><u>235,834</u></b>	<b><u>72,201</u></b>

## SCHEDULE

### 5. Fixed Assets

Rs '000

Particulars	GROSS BLOCK AT COST / VALUATION				DEPRECIATION/ AMORTISATION				NET BLOCK		
	As at 1st April, 2010	Additions on acquisition of subsidiary	Additions	Sales/ Adjustments	As at 31st March, 2011	As at 1st April, 2010	Additions on acquisition of subsidiary	For the year	Sales/ Adjustments	As at 31st March, 2011	As at 31st March, 2010
<b>TANGIBLE ASSETS:</b>											
Free Hold Land	242,938	-	-	56,554	186,384	-	-	-	-	186,384	242,938
Lease Hold Land	98,731	-	3,774	-	102,505	-	936	-	2,761	99,744	96,906
Building	521,819	-	41,947	7,363	556,403	-	20,400	958	85,012	471,391	456,249
Plant & Machinery	1,455,849	-	330,063	-	1,785,912	-	116,464	23	396,740	1,389,172	1,175,550
Furniture & Fixture	255,634	-	32,295	10,031	277,898	-	8,620	2,808	87,747	190,151	173,699
Refrigerators & Air Conditioners	22,218	-	4,428	22	26,624	-	1,291	3	3,191	23,433	20,315
Office Equipments	64,048	-	16,594	1,480	79,162	-	13,299	1,866	32,072	47,090	43,409
Vehicles	18,391	-	12,616	4,690	26,317	-	3,394	810	8,047	18,270	12,928
Telephone Plant	5,067	-	1,619	6	6,680	-	587	1	778	5,902	4,875
Cooking appliances	89	-	-	-	89	-	-	-	-	89	89
<b>Intangible Assets</b>											
Goodwill	761,239	-	5,790	-	767,029	-	10	-	10	767,019	761,239
<b>Technology for:</b>											
Pumps	1,977	-	-	-	1,977	-	-	-	1,977	-	-
Designs and drawings	225,000	-	913	-	225,913	-	32,506	-	96,867	129,046	160,639
Computer software	108,531	-	46,097	90	154,538	-	31,023	-	80,432	74,106	59,121
<b>Total</b>	<b>3,781,531</b>	<b>-</b>	<b>496,136</b>	<b>80,236</b>	<b>4,197,431</b>	<b>-</b>	<b>228,530</b>	<b>6,469</b>	<b>795,634</b>	<b>3,401,797</b>	<b>3,207,957</b>
<b>Previous Year</b>	<b>2,589,661</b>	<b>297,518</b>	<b>971,692</b>	<b>77,339</b>	<b>3,781,531</b>	<b>86,322</b>	<b>163,665</b>	<b>10,641</b>	<b>573,573</b>	<b>3,207,957</b>	



## SCHEDULES

	As at 31st March 2011 (Rs '000)	As at 31st March 2010 (Rs '000)
<b>6. Investments -Unquoted unless otherwise stated</b>		
Current - Other than trade		
Investment in 143220.071 units (2009-10: 15,296.174) Units of IDFC Liquid Fund - Growth	2,678	19,387
Nil (2009-10-50000) Units of Rs. 10/- each SBI Magnum Comma Fund	-	500
Nil (2009-10-50050) Units of Rs. 10/- each SBI Magnum Multicap Fund	-	500
Nil (2009-10-30000) Units of Rs. 10/- each SBI Blue Chip Fund	-	300
Nil (2009-10-45546) Units of Rs. 10/- each SBI Magnum Global Fund	-	2,000
Nil (2009-10-17405) Units of Rs. 10/- each SBI Contra Fund	-	600
Nil (2009-10-26676) Units of Rs. 10/- each Tata Infrastructure Fund	-	584
Nil (2009-10-3994) Units of Rs.10/- each of HDFC Prudence Fund - Growth	-	705
Nil (2009-10-20000) Units of Rs. 10/- each Reliance Equity Fund	-	200
Nil (2009-10-10645) Units of Rs. 10/- each DSPML T.I.G.E.R Fund	-	300
Nil (2009-10-19866) Units of Rs.10/- each Templeton Equity fund	-	200
Nil (2009-10-30000) Units of Rs. 10/- each SBI One India Fund	-	300
Nil (2009-10-20000) Units of Rs. 10/- each SBI Infrastructure Fund	-	200
Nil (2009-10-2000) Equity Shares of Rs. 10/- each Bharti Airtel Ltd (Quoted)	-	409
Nil (2009-10-800) Equity Shares of Rs. 10/- each - Reliance Industries Ltd (Quoted)	-	369
Long Term (at cost)		
<b>A. TRADE INVESTMENTS</b>		
24,970 (2009-10: 24,970) Equity shares of Rs.10 each fully paid in Jayamkondam Lignite Power Corporation Limited	250	250
7,112,166 (2009-10: Nil) Equity shares of in Speciality Energy Group	289,906	-
<b>B. OTHER THAN TRADE</b>		
100 shares of Rs. 10 each fully paid-up in McNally Bharat Co-operative Credit Society Limited	1	1
100 shares of Rs. 25 each in Co Operative Bank of Baroda Limited	3	3
4516 Equity Shares of Rs. 25 each in Baroda District Co Op Bank		
10,960 Equity Shares of Rs. 5 each fully paid up in Eveready Industries India Ltd. (Quoted)	228	228
10,960 Equity Shares of Rs 5 each fully paid up in Mcleod Russel India Ltd (Quoted)	228	228
<b>Total</b>	<b>293,294</b>	<b>27,264</b>
@	2,932	26,808
Aggregate Book Value of Quoted Investment	290,362	456
Aggregate Market Value of Quoted Investment	382,610	3,615

## SCHEDULES

	As at 31st March 2011 (Rs '000)	As at 31st March 2010 (Rs '000)
<b>7. Inventories</b>		
Stores and Spare Parts	340,040	161,196
Loose Tools	7,221	8,618
Raw Materials	469,812	560,429
Jobs-in-Progress	676,748	435,963
Finished Goods	5,194	6,689
<b>Total</b>	<b><u>1,499,015</u></b>	<b><u>1,172,895</u></b>
<b>8. Sundry Debtors</b>		
Unsecured		
Debts outstanding for a period exceeding six months		
- Considered good	6,690,744	3,708,839
- Considered doubtful	119,537	44,181
	<u>6,810,281</u>	<u>3,753,020</u>
Less : Provision for doubtful debts	119,537	44,181
	<u>6,690,744</u>	<u>3,708,839</u>
Other Debts - Considered good	7,646,091	7,636,984
<b>Total</b>	<b><u>14,336,835</u></b>	<b><u>11,345,823</u></b>
<b>9. Cash and Bank Balances</b>		
Cash in hand	7,820	8,101
Cheques in hand	9,955	51,100
Remittance in transit	4,273	-
With Banks		
On Current Account	10,22,460	1,107,610
On Cash Credit Account	50,455	-
On Deposit Account	27,430	78,898
<b>Total</b>	<b><u>11,22,393</u></b>	<b><u>1,245,709</u></b>

## SCHEDULES

	As at 31st March 2011 (Rs '000)	As at 31st March 2010 (Rs '000)
<b>10. Other Current Assets</b>		
Interest Receivable	23,189	716
Due from Customers (Project related activity)	1,421,523	851,285
<b>Total</b>	<b><u>1,444,712</u></b>	<b><u>852,001</u></b>
<b>11. Loan and Advances - Unsecured considered Good</b>		
Advances recoverable in cash or in kind or for value to be received	2,279,422	1,782,067
Less: Provision for Doubtful Advance	-	2,042
	2,279,422	1,780,025
Balance with Customs, Port Trust, etc	82,679	178,274
Deposits with Government, Public bodies and Others	183,054	131,405
Advance payment of tax (Net of Provision for Tax)	2,423	-
<b>Total</b>	<b><u>2,547,578</u></b>	<b><u>2,089,704</u></b>
<b>12. Current Liabilities</b>		
Acceptances	716,550	207,190
Sundry Creditors	6,602,328	6,253,899
Due to Customers (Project related activity)	3,332,131	2,765,613
Advance Payment from customers	3,396,987	3,031,268
Other Liabilities	732,181	550,697
Interest accrued but not due on loan	33,091	26,020
<b>Total</b>	<b><u>14,813,268</u></b>	<b><u>12,834,687</u></b>
<b>13. Provisions</b>		
Warranty	44,695	37,466
Liquidated damages	44,650	59,783
Proposed Dividend	62,188	46,641
Dividend Tax	11,824	9,156
Provision for Employee Benefits	299,618	101,697
Provision for Taxation (Net)	247,035	71,414
<b>Total</b>	<b><u>710,010</u></b>	<b><u>326,157</u></b>
<b>14. Deferred Tax</b>		
Deferred Tax Liabilities :		
– Depreciation	244,349	199,450
– Other items	16,221	25,221
Deferred Tax Assets :		
– Sec 43B items	(27,905)	(19,717)
– Other items	(25,183)	(30,727)
<b>Total</b>	<b><u>207,482</u></b>	<b><u>174,227</u></b>

## SCHEDULES

	For the year ended 31st March 2011 (Rs.'000)	For the year ended 31st March 2010 (Rs.'000)
<b>15. Other Income</b>		
Service Income	128,708	43,093
Income from Investment- other than trade	49	487
Profit on Sale of Fixed Assets (Net)	35,367	5,889
Profit on Sale of Current Investment (Net)	8,451	1,210
Miscellaneous Income	21,378	32,394
Gain on Exchange Fluctuation (Net)	40,484	-
Liabilities no longer required written back	39,547	15,019
Provision for diminition in investment value no longer required written back	-	1,131
<b>Total</b>	<b><u>273,984</u></b>	<b><u>99,223</u></b>
<b>16. Materials</b>		
Consumption of Raw Materials	3,208,662	4,369,386
Consumption of bought out Components and Spare Parts	7,976,179	5,545,768
<b>Total</b>	<b><u>11,184,841</u></b>	<b><u>9,915,154</u></b>
<b>17. Expenses</b>		
Salaries, wages and bonus	2,099,172	1,114,377
Contribution to provident and other funds	85,047	84,811
Workmen and staff welfare expenses	239,696	69,176
Professional Services	489,877	304,511
Consumption of Stores and Spare Parts	2,272	1,457
Power and Fuel	176,862	102,513
Repairs to Building	6,304	1,977
Repairs to Machinery	16,082	14,362
Repairs - others	65,585	47,897
Rent	197,922	71,156
Subscriptions and donations	6,251	5,616
Bank charges	252,299	212,284
Rates and taxes	33,506	115,392
Insurance	52,377	35,911
Cartage and freight	653,808	549,014
Directors' fees	3,140	3,965
Travelling	320,308	225,003
Running and maintenance of vehicles	9,670	6,250
Loss on Sale of Investments	-	32,597
Royalty	842	21,812
Loss on Exchange Fluctuations (Net)	-	58,661
Commission expenses	10,582	12,922
Provision for bad and Doubtful Debts	11,210	28,299
Provision for bad and Doubtful Advance	1,095	632
Provision for Liquidated Damage	4,197	-
Provision for Warranty	102,740	4,297
Site erection expenses	64,045	25,953
Miscellaneous expenses	588,607	239,629
<b>Total</b>	<b><u>5,493,496</u></b>	<b><u>3,390,474</u></b>

## SCHEDULES

	For the year ended 31st March 2011 (Rs.'000)		For the year ended 31st March 2010 (Rs.'000)	
<b>18. Advance/ Debts written off (net)</b>				
Debts written off		129,207		21,878
Fixed Assets written off		–		10,737
Advances written off		–		7,384
		<u>129,207</u>		<u>39,999</u>
Less :				
Debts/ Advances realised		–		15,991
<b>Total</b>		<u><b>129,207</b></u>		<u><b>24,008</b></u>
<b>19. Interest and Finance charges</b>				
Interest				
On Fixed Loans		209,731		195,206
On Others		239,851		208,748
		<u>449,582</u>		<u>403,954</u>
Less : Interest earned (gross)				
On Fixed Deposit and Others		9,790		3,139
On Income Tax refund		4,917		5,939
		<u>14,707</u>		<u>9,078</u>
Bill Discounting charges		434,875		394,876
		51,488		30,945
<b>Total</b>		<u><b>486,363</b></u>		<u><b>425,821</b></u>

## SCHEDULES

### 20. Notes on Accounts

#### 1. Significant Accounting Policies

##### a) Basis of Consolidation

The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 – “Consolidated Financial Statements”

The Consolidated financial statements are prepared on the following basis:

- (i) The financial statements of the Holding Company and the Subsidiary companies have been combined on a line by line basis by adding together like item of assets, liabilities, income and expenses. The intra group balances, intra group transactions and unrealized profit or losses thereon if any have been fully eliminated where such transactions took place subsequent to the date of acquisitions of the related subsidiary.
- (ii) The financial statements of the subsidiaries used in consolidation are drawn up to the same reporting date as that of the Holding Company in all cases except in the case of one subsidiary where the gap is not more than three months.
- (iii) The excess value of the consideration given over the net value of the identifiable assets acquired in subsidiary company is recognized as goodwill/ capital reserve. Goodwill is disclosed under Fixed asset. Impairment loss is recognized where applicable.
- (iv) The translation of the functional currencies into Indian Rupees (reporting currency) is performed for equity in the foreign subsidiaries, assets and liabilities using the closing exchange rate at the Balance Sheet date, and for revenues , costs and expenses using average exchange rates prevailing during the period . The resultant exchange difference arising out of such transaction is recognized as part of equity (Foreign Currency Translation Reserve Account) by the Parent Company until the disposal of investment.

##### b) List of Subsidiaries

- (i) The Consolidated financial statement represents consolidation of accounts of McNally Bharat Engineering Company Limited (the Company) and its following subsidiaries.

Name of the Company	Country of Incorporation	Proportion of Ownership Interest As at 31.03.2011	Reporting Dates
EWB Kornyezetvedelmi Kft	Hungary	99%	31.12.2010
McNally Sayaji Engineering Limited (MSEL)	India	70.41%	31.03.2011
McNally Bharat Equipments Limited	India	99.40%	31.03.2011
McNally Bharat Infrastructure Limited	India	99.40%	31.03.2011
MBE Minerals Zambia Limited	Zambia	100%	31.03.2011
MBE Mineral Technologies Pte Limited	Republic of Singapore	100%	31.03.2011
McNally Humboldt Wedag Minerals India Private Limited. (subsidiary of MBE Mineral Technologies Pte Limited)	India	100%	31.03.2011
MBE Coal & Minerals Technology Gmbh (subsidiary of MBE Mineral Technologies Pte Limited)	Germany	100%	31.03.2011
MBE Cologne Engineering Gmbh (subsidiary of MBE Mineral Technologies Pte Limited)	Germany	100%	31.03.2011
MBE Minerals (S.A.) Proprietary Limited. (subsidiary of MBE Mineral Technologies Pte Limited)	South Africa	100%	31.03.2011
MBE Mineral Processing Technology(Beijing) Co Ltd (subsidiary MBE Coal & Minerals Technology Gmbh)	China	100%	31.03.2011
MBE Mineral Processing Brasil LTDA (subsidiary of MBE Coal & Minerals Technology Gmbh)	Brazil	100%	31.03.2011

## SCHEDULE

### 20. Notes on Accounts (Contd.)

- (ii) During the year the company has set up a wholly owned subsidiary company in Zambia ,viz. MBE Minerals Zambia Limited. The company has also set up two subsidiaries viz. MBE Mineral Processing Technology(Beijing) Co Ltd and MBE Mineral Processing Brasil LTDA in China and Brasil respectively through its subsidiary MBE Mineral Technologies Pte Limited.
- (iii) During the year MBE Mineral Technologies Pte Limited acquired the remaining 25% of the shares in MBE Minerals (S.A.) Proprietary Limited thereby making it a 100% subsidiary.
- (iv) The financial statements of EWB Kornyezetvedelmi Kft., the Hungarian based subsidiary of the company and MBE Minerals Zambia Limited , the Zambian based subsidiary are prepared as per the applicable Acts and statutory requirements under the laws of the country in which they are located. The balances of these companies have been considered for consolidation on a line to line basis. However, uniformity in the accounting policies between the holding company and its subsidiaries could not be ensured due to non availability of information from its subsidiaries. Such non uniformity in accounting policies do not have any material impact on the consolidated profit for the year ended 31st March, 2011 and the consolidated net assets position as at that date. The proportion of balances of its subsidiaries as compared to the corresponding balances of the consolidated financial statements are as below:-

Net Fixed Assets	-	0.19 per cent
Net Current Assets	-	0.36 per cent
Total Income	-	0.40 per cent
Total Expenditure	-	0.49 per cent
Total Profit	-	-1.29 per cent

#### c) Accounting Policy Statement and Basis of Accounting

The Financial Statements are prepared to comply in all material respects with all the applicable accounting principles in India, the applicable accounting standards notified u/s 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

The financial statements are prepared in accordance with the historical cost convention.

#### d) Fixed Assets

- i) Fixed Assets other than those revalued are stated at their cost. Cost includes inward freight, duties and taxes and expenses incidental to acquisition and installation of fixed assets. Borrowing costs related to the acquisition or construction of the qualifying assets for the period upto the completion of their acquisition or construction are capitalized. Own manufactured assets are capitalized at cost including an appropriate share of overheads.
- ii) Depreciation
 

Depreciation on assets is provided as below:

  - (a) Depreciation is provided on assets acquired up to 31.03.1989 on written down value method and assets acquired on or after 01.04.1989 on straight line method at the rates prescribed in schedule XIV of the Companies Act, 1956 or based on the remaining residual life whichever is higher.
  - (b) Freehold Land and Leasehold Land (Perpetual Lease) are not depreciated. Other Leasehold land are amortised over the period of lease.
  - (c) Intangible Assets include technical know-how for vibrating screen and granulators which are amortized over a period of five years and designs and drawing are amortized over a period of seven years respectively under straight line method. Intangible assets also include computer software which are amortized over a period of three to five years.
  - (d) In respect of foreign subsidiaries the depreciation is provided based on the useful life of the assets.

## SCHEDULE

### 20. Notes on Accounts (Contd.)

- iii) Profit and Loss on disposal of Fixed Assets is recognized in Profit and Loss Account.
- iv) Goodwill on consolidation is carried at cost. Goodwill is tested for impairment annually and impairment loss is recognized wherever applicable.
- (v) In case of assets other than goodwill impairment loss is recognized where applicable when the carrying value of the fixed assets exceeds its market value or value in use, whichever is higher.

#### e) Government Grants

Grants / Subsidies that relate to Capital Expenditure are deducted from the cost of the assets. Other grants / subsidies are credited to the Profit and Loss Account.

#### f) Investments

Investments that are readily realizable and intended to be held for not more than one year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost. However provision for diminution in value is made to recognize a decline other than temporary in the value of investments.

#### g) Inventories

Inventories including Jobs-in-Progress are stated at cost or net realizable value whichever is lower.

In case of raw materials and stores and spares, such cost is arrived on Weighted Average Basis. Cost comprises of expenditure incurred in the normal course of business in bringing Stocks and Jobs-in-Progress to their location and condition (including appropriate overheads in case of Jobs-in-Progress, calculated on a basis appropriate to the business carried on by the Company). Where the current estimate of total cost and revenue in respect of Jobs-in-Progress covered by customers' orders indicate a loss, provision is made for entire loss.

Certain loose tools are written off over a period of ten years.

Finished goods excluding spares are valued at cost or net realizable value whichever is lower.

Obsolete, slow moving and defective stocks are identified at the time of physical verification of stocks and where necessary, provision is made for such stocks.

#### h) Revenue Recognition

- (i) Revenue on contracts is recognized on percentage of completion method wherein the stage of completion is determined with reference to the ratio of the contract cost incurred for work performed upto the reporting date to the estimated total contract cost. In the case of unit rate contracts the stage of completion is determined with reference to the valuation of the actual amount of work completed as per the contracted rates. In cases where the current estimate of total contract cost and revenue indicate a loss, such loss is recognized as an expense.
- (ii) Sales represent the invoiced value of goods and services supplied and exclude value added tax and sales tax. Agency commission is recognized in terms of agency agreement.
- (iii) Erection and commissioning income is recognized as revenue to the extent of completion of erection work as assessed or as and when it becomes due as per terms of contracts.
- (iv) Repairs and service income is recognized as revenue after the service is rendered and invoiced to the customers.

#### i) Foreign Currencies

Transactions in foreign currency are recorded in Rupees by applying the rate of exchange ruling at the time of transactions. Exchange differences arising on the settlement of transactions are recognized as income or as expense in the period in which they arise.

Monetary current assets and monetary current liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account. Non monetary items at the balance sheet date are stated at historical cost.

The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. The premium or discount arising at the inception of a forward exchange contract is amortised as expense or income over the life of the contract. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.



## SCHEDULE

### 20. Notes on Accounts (Contd.)

In respect of derivative contracts (other than forward exchange contracts covered under Accounting Standard 11 on 'The Effects Of Changes In Foreign Exchange Rates' ) gains and losses on settlement and mark to market loss (net) relating to outstanding contracts as on the Balance Sheet Date is recognized in the Profit and Loss Account.

#### j) Accounting of Claims

Claims receivable are accounted at the time of lodgment depending on the certainty of receipt and claims payable are accounted at the time of acceptance.

#### k) Income from Investments

Income from Investment is included, together with related tax credit, in the Profit and Loss Account on an accrual basis.

#### l) Employee Benefits

##### (i) Defined Contribution Plans

###### *Provident Fund:*

Contribution to Provident Fund, which is administered by an independent Trust / Fund maintained by the Regional Fund Commissioner is charged to the Profit and Loss Account. In respect of Provident Fund contributions made to an independent fund administered by a Trust, the interest rate payable to the members of the Trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 and shortfall, if any, is made good by the Group.

###### *Pension:*

The Group operates a superannuation fund scheme for some of its employees towards which the Company contributes upto a maximum of 15% of the employees' current salary, which is charged to the Profit and Loss Account. The scheme, which is fully funded, is administered by Trustees and is independent of the Group's finance.

##### (ii) Defined Benefit Plans

###### *Gratuities , Leave Encashment and Post Retirement Medical Benifits*

The Group operates a Gratuity Fund Scheme for its employees. The liability in respect of contributions of these funds is ascertained on the basis of actuarial valuation at the year-end and provided for. The scheme, which is funded is administered by SBI Life Insurance Co. Ltd. /Life Insurance Corporation of India (LIC). Accrued liability towards leave encashment benefits payable to employees and post employment medical benefits extended to certain categories of employees (comprising of payment of annual medical insurance premium to cover hospitalization)within a defined monetary limit are evaluated on the basis of actuarial valuation at the end of the year and is recognized as a charge in the accounts.

##### (iii) Other Long Term Employee Benefits

Other long term employee benefits comprising of entitlement to accumulation of Sick Leave and Long Service Award is provided for based on actuarial valuation carried out in accordance with revised Accounting Standard 15 as at the end of the year

(iv) Short Term Employee Benefits including compensated absence are recognised as an expense as per the Group's schemes based on expected obligation on an undiscounted basis.

(v) Actuarial gains and losses are recognized in the Profit and Loss Account.

(vi) With regard to overseas subsidiaries, liabilities for retirement benefits are determined as per the regulations and principles followed in the respective countries.

#### m) Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets (i.e. assets that necessarily take substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset upto the date when such asset is ready for its intended use or sale. Other borrowing costs are recognized as an expense in the period in which they are incurred.

## SCHEDULE

### 20. Notes on Accounts (Contd.)

#### n) Taxes on Income

Current tax represents the amount that would be payable based on computation of tax as per prevailing taxation laws. Deferred Tax is recognized on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax assets are not recognized unless there is reasonable certainty and virtual certainty in case of unabsorbed loss and depreciation that sufficient future taxable income will be available against which such deferred tax assets can be realized.

#### o) Provisions and Contingent Liabilities

The Company recognizes a provision when there is a present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or present obligation such that the likelihood of outflow of resources is remote, no provision or disclosure is made.

#### p) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Examples of such estimates include estimates of income taxes, future obligations under employment retirement benefit plans, provision for doubtful debts and advances and estimated useful life of tangible and intangible assets. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods

2. McNally Sayaji Engineering Limited ( MSEL) has allotted 1,75,000 Convertible Warrants of Rs 186/- each on 12.03.2010 (convertible within eighteen months from the date of allotment in one or more tranches) and 3,35,000 Convertible Warrants of Rs 186/- each on 13.08.2010 (convertible within twelve months from the date of allotment in one or more tranches), on a preferential basis to Promoters/ Promoter group and strategic investors, entitling the holder of the Warrants to apply for and be allotted one equity share of Rs. 10/- each fully paid-up, at a price of Rs. 186/- per share [including a premium of Rs. 176/-], or at such other higher prices in accordance with the applicable statutory Regulations, against each such warrant. MSEL had called up and received 25% of the face value against allotment of each such warrant and the balance is yet to be called.

	As at 31st March, 2011 Rs. in '000	As at 31st March, 2010 Rs. in '000
3. Estimated amount of contracts remaining to be executed on capital account and not provided for.	182,520	131,938
4. Claims against the company not acknowledged as debt	9,964	9,964
5. Other money for which the Group is contingently liable:		
a) Excise Duty matters pending in appeal related to issues of applicability and classification	21,638	21,638
b) Sales Tax matters pending in appeal relating to disputes regarding assessable value and exemptions claimed	296,175	194,009
c) Service Tax Matters pending in appeal relating to issues of applicability	300,393	288,751
d) Other guarantees given	32,457	32,000
e) Corporate guarantee given	2,881,420	-
f) Labour matters	432,021	835
g) Liquidated damages relating to contract sales	Amount not readily ascertainable	Amount not readily ascertainable
The extent of probable cash outflow in respect of the above matters is not determinable at this stage.		
6. Work-in-Progress include value of Raw Materials lying with third parties for fabrication.	27,636	Nil
7. Consumption of Components, Stores and Spare Parts include loose tools	2,448	Nil

## SCHEDULE

### 20. Notes on Accounts (Contd.)

8. The parent company had entered in September 2003 a joint venture agreement with Elsamex S.A. where officially it was appointed as a subcontractor in “West Bengal Corridor Development Project – Improvement of Gazole Hilli Section of SH 10 with a link to Balurghat from Patiram,” (the project). However consequent to considerable delay in execution of the project the Public Works Department of Government of West Bengal (PWD) had terminated the contract in January 2006. The parent company and Elsamex S.A. felt that such delay in execution was due to the inability of PWD to hand over the stretch of land for widening of road and non-availability of construction drawings on time by PWD. The parent company has a legitimate claim of Rs.15,16,90,568 towards receivable and Rs.11,33,09,901 on account of deposit against Performance Guarantee. Elsamex S.A. moved to arbitration and had claimed an amount of Rs.73,34,03,024 including an additional claim on consequential losses as per guidelines of “Federation Internationale Des Ingenieurs-Conseils” (FIDIC). Arbitral Board in their meeting held on 25th October 2010 has upheld Elsamex S A’s claim and has given favourable award in favour of Elsamex S A. Under the award, a total amount of Rs.35.35 crores is receivable by the company. A claim has already been lodged with PWD . PWD has preferred to challenge the verdict of the Arbitrators and has appealed to the High Court for a stay in the matter of payment of award money.
9. The Group has leasing arrangements in respect of operating leases for premises (residential, office, etc.). These leasing arrangements which are not non-cancellable are for a period of 3 years, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent under Schedule 17.
10. Information in respect of contracts in progress:

	<b>2010-11</b> <b>Rs. in '000</b>	<b>2009-10</b> <b>Rs. in '000</b>
Contract costs incurred	45,109,388	29,844,252
Add: Recognised profits net of recognised losses	4,265,050	2,080,654
Contract Revenues	49,374,438	31,924,906
Progress billing	51,285,046	33,839,234
Unbilled revenue (net)	(1,910,608)	(1,914,328)
Due from customers	1,421,523	851,285
Due to customers	3,332,131	2,765,613
Advance payments received	3,117,693	2,844,605
Amount of retentions	5,749,373	3,589,790

### 11. Provisions

#### a) Liquidated Damages :

Certain companies in the group has as a matter of abundant caution recorded an accrual for liquidated damages in respect of contracts where there has been a default in providing services on time to customers in terms of deliverables as agreed to in the contracts. The movement in the carrying value of liquidated damages is as follows :

	<b>As at</b> <b>31st March, 2011</b> <b>Rs.</b>	<b>As at</b> <b>31st March, 2010</b> <b>Rs.</b>
Opening Balance	124,243,258	–
Balance taken over on demerger	–	124,356,648
Additional Provision during the year	3,199,300	11,762,099
Provision utilized during the year	(25,071)	(489)
Provision Written Back	(4,214,573)	(11,875,000)
Closing Balance	123,202,914	124,243,258
Included in Provision for Doubtful Debts	78,552,580	64,459,754
Included in Others Provision	44,650,334	59,783,504

## SCHEDULE

### 20. Notes on Accounts (Contd.)

#### b) Warranties :

Certain companies in the group warrant that their goods will perform in all material respects in accordance with the Company's standard specifications, for the warranty period. Accordingly, based on specific warranties, claims and claim history, the company provides for warranty claims. The movement in the carrying value of warranty costs is as follows :

	As at 31st March, 2011 Rs.	As at 31st March, 2010 Rs.
Opening Balance	37,466,541	-
Balance taken over on demerger	-	29,443,601
Additional Provision during the year	7,856,637	8,171,934
Provision reversed during the year	(496,114)	-
Provision utilized during the year	(131,907)	(148,994)
Closing Balance	44,695,157	37,466,541

### 12. Defined Benefit Plans :

As per Actuarial valuation as on 31st March, 2011 and recognised in the financial statements in respect of Defined Employee Benefit Schemes

Description	Gratuity (Funded) as on 31.03.2011	Gratuity (Funded) as on 31.03.2010	Leave Encashment (Unfunded) As on 31.3.2011	Leave Encashment (Unfunded) As on 31.3.2010	Post Retirement Medical Benefit (Unfunded) as on 31.03.2011	Post Retirement Medical Benefit (Unfunded) as on 31.03.2010
	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000
<b>(a) Reconciliation of Opening and Closing balances of the Present Value of the Defined Benefit Obligation</b>						
Present Value of Obligation at the beginning of the year	109,077	87,166	41,355	24,429	195	-
Current Service Cost	15,327	10,581	103,702	4,219	123	195
Interest Cost	10,208	8,034	11,996	2,522	-	-
Actuarial (Gains)/Losses	8,115	9,601	118,980	13,183	(195)	-
Benefits Paid	(9,954)	(6,304)	(17,478)	(269)	-	-
Present Value of Obligation at the end of the year	<b>132,773</b>	<b>109,077</b>	<b>258,555</b>	<b>41,355</b>	<b>123</b>	<b>195</b>
<b>(b) Reconciliation of the Opening and Closing balances of Plan Assets</b>						
Fair Value of Plan Assets at the beginning of the year	82,560	69,379	-	-	-	-
Actual Return on Plan Assets	7,685	6,186	-	-	-	-
Actuarial Gains/(Losses)	3,327	(525)	-	-	-	-
Contributions	19,103	13,824	17,479	269	-	-
Benefits paid	(12,899)	(6,304)	(17,479)	(269)	-	-
Fair Value of Plan Assets at the end of the year	<b>99,776</b>	<b>82,560</b>	-	-	-	-

## SCHEDULE

### 20. Notes on Accounts (Contd.)

Description	Gratuity (Funded) as on 31.03.2011	Gratuity (Funded) as on 31.03.2010	Leave Encashment (Unfunded) As on 31.3.2011	Leave Encashment (Unfunded) As on 31.3.2010	Post Retirement Medical Benefit (Unfunded) as on 31.03.2011	Post Retirement Medical Benefit (Unfunded) as on 31.03.2010
	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000
<b>(c) Expense recognized in the Profit and Loss Account</b>						
Current Service Cost	15,327	9,723	103,702	4,219	123	195
Interest Cost	10,208	7,181	11,996	2,522	–	–
Actual return on Plan Assets	(3,271)	(5,345)	–	–	–	–
Actuarial (Gains)/Losses	(1,689)	7,483	18,208	13,183	–	–
Actuarial (Gains)/Losses on Plan Assets	9,807	(198)	–	–	(195)	–
<b>Total Expense recognized</b>	<b>30,382</b>	<b>18,844</b>	<b>133,906</b>	<b>19,924</b>	<b>(72)</b>	<b>195</b>
<b>(d) Category of Plan Assets :</b>						
Fund with LIC/ SBI						
Life Insurance Company	96,663	78,048	–	–	–	–
Others (Including Bank Balances)	3,113	4,512	–	–	–	–
<b>Total</b>	<b>99,776</b>	<b>82,560</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>(e) Actuarial Assumptions</b>						
Discount Rate ( Per annum )	7.50%-8.00%	7.50%	7.50%-8.00%	7.50%	7.50%	7.50%
Expected Rate of Return on Assets ( Per annum )	8.00%-8.50%	8.50%	NA	NA	NA	NA
Mortality Rate	In accordance with standard table LIC (1994-96) ultimate					

## SCHEDULE

### 20. Notes on Accounts (Contd.)

#### (f) Reconciliation of the Present Value of the Defined Benefit Obligation and the Fair Value of Plan Assets

Particulars	Gratuity (Funded)		Gratuity (Funded)		Gratuity (Funded)		Leave Encashment (Unfunded)		Leave Encashment (Unfunded)		Leave Encashment (Unfunded)		Post Retirement Medical Benefit (Unfunded)		Post Retirement Medical Benefit (Unfunded)	
	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000
	31.03.2011	31.03.2010	31.03.2009	31.03.2008	31.03.2011	31.03.2010	31.03.2009	31.03.2008	31.03.2011	31.03.2010	31.03.2009	31.03.2008	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Present Value of Obligation at the end of the year	132,773	109,077	78,067	40,746	258,555	41,355	24,429	23,031	195							
Fair Value of Plan Assets at the end of the year	99,776	82,560	59,638	30,309	-	-	-	-	-	-	-	-	-	-	-	-
Assets/(Liabilities) recognized in the Balance Sheet	(32,997)	(26,517)	(18,430)	(10,437)	(258,555)	(41,355)	(24,429)	(23,031)	(123)	(195)						
Experience Gain/(loss) adjustments on plan liabilities	6,127	6511	178	Not Available	-	-	-	-	-	-	-	-	-	-	-	-
Experience Gain/(loss) adjustments on plan assets	(50)	(49)	(59)	Not Available	-	-	-	-	-	-	-	-	-	-	-	-

#### Notes

- (a) The estimates of future salary increases, considered in actuarial valuations, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The expected return on plan assets is based on actuarial expectation of the average long term rate of return expected on investment of funds during the estimated term of the obligation.
- (b) Amount recognized as an expense :
- Contribution to Salaries, wages, bonus include charge on account of Leave Encashment Rs. 32,071,837 (2009-10 Rs. 21,456,358)
  - Contribution to Provident and other Funds in schedule 17 includes charge on account of Gratuity Rs. 25,449,740 (2009-10 Rs. 20,347,008)
  - Contribution to Workmen and staff welfare includes charge on account of Long Service Award of Rs. 39,279 (2009-10 Rs. 1,089,731) and Sick Leave of Rs. 8,586,075 (2009-10 Rs. 11,109,787) and Medical Insurance premium for SM Rs. (72,130) (2009-10 Rs. 194,885)
  - Contribution to provident and other funds in Schedule 17 include Rs. 67,953,471 (2009-10 Rs. 47,495,061) towards contribution to Defined Contribution plans viz. Provident Fund, Pension Fund and Superannuation Fund.

## SCHEDULE

### 20. Notes on Accounts (Contd.)

13. Related party disclosures as required by AS-18 "Related Party Disclosures" are given below:

(i) Relationships:

Key Management Personnel:

Mr. Srinivash Singh Managing Director (MBECL) (01.04.10-17.06.10)

Mr. Prasanta .Kumar .Chandra Wholetime Director (MBECL)(14.02.11-31.03.11)

(ii) The following transactions were carried out with the related parties in the ordinary course of business:

Remuneration	<b>Rs. '000</b>
Mr Srinivas Singh	3,219
	(20,227)
Mr Prasanta Kumar Chandra	1,942
Compensation for loss of Office ( Mr Srinivas Singh)	28,603
Leave Encashment ( Mr Srinivas Singh)	9,202
Dividend paid	2.1
	(3.6)

Figures in bracket are for the year ended 31st March 2010.

### 14. Earnings Per Share :

	<b>As at 31st March, 2011 Rs. in '000</b>	<b>As at 31st March, 2010 Rs. in '000</b>
Number of Equity Shares at the beginning and end of the year	31,093,818	31,093,818
Weighted average number of equity shares outstanding during the year	31,093,818	31,093,818
Profit after Taxation available for equity shareholders	633,699	495,069
Face Value of Each Equity Share	10.00	10.00
	<b><u>31,093,818</u></b>	<b><u>31,093,818</u></b>
Earnings Per Share	20.38	15.92
Diluted	20.38	15.92

15. Capital Work in Progress includes Rs. 34,087,518 (2009-10 Rs. Nil) towards capitalization of interest on borrowings for acquiring qualifying assets.

16. Pursuant to the Announcement on Accounting for derivatives issued by the Institute of Chartered Accountants of India in March, 2008, the company has accounted for during the year net loss amounting to Rs. 33,100,641 (31.3.10-52,826,056) in respect of outstanding derivative contracts at the balance sheet date by marking them to market as indicated in Note 1(i) above. The aforesaid mark to market loss was included in "Gain on Exchange Fluctuation" in Schedule 15 to accounts.

17. Expenditure on R&D - In pursuit of R&D endeavors the company is continuously incurring R&D expenditure both on Capital and Revenue which has not been separately reflected but is being shown as part of regular heads of accounts in fixed assets and in Profit and Loss account respectively. Accordingly R&D revenue expenditure incurred during the year debited to various account heads is Rs. 28,662,473 (2009-10: Rs. 8,677,129) and on account of capital expenditure is Rs. 10,790,594 (2009-10: Rs. Nil).

18. Previous year's figures have been regrouped and/or rearranged wherever necessary.

Signatories to Schedule 1 to 20

For **Lovelock & Lewes**  
Chartered Accountants  
Firm Registration Number 301056E  
**Partha Mitra**  
Partner  
Membership No. 50553  
Kolkata, 14th July, 2011

**Deepak Khaitan** - Chairman  
**Prasanta Kumar Chandra** - Wholetime Director & COO  
**Prabir Ghosh** - Wholetime Director & Group CFO  
**D. Chatterjee** - Vice President & Company Secretary

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

	For the year ended 31st March, 2011		For the year ended 31st March, 2010	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>A. Cash Flow from Operating Activities:</b>				
Net Profit Before Tax		<b>1,070,161</b>		<b>897,518</b>
Adjustments for:				
1. Depreciation	228,530		163,665	
2. Interest Charged	449,582		403,954	
3. Interest Income	(14,707)		(9,078)	
4. Dividend Income	(49)		(487)	
5. Loss/( Profit) on Sale of Fixed Assets (Net)	(35,367)		(5,889)	
6. Loss/(Profit) on Sale of Investment (Net)	(8,451)		-	
7. Bad Debts written off	129,207		21,878	
8. Advance written off	-		7,384	
9. Provision for bad and doubtful debts	11,210		28,299	
10. Provision for doubtful advances	1,095		632	
11. Liabilities no longer required written back	(39,547)		(15,019)	
12. Provision for employee benefits (Net)	197,921		40,611	
13. Provision for Warranty	7,229		-	
14. Fixed Assets written off	-		10,737	
15. Loss on Diminution in Investment Value	-		(1,131)	
16. Unrealised (gain)/ loss on exchange (Net)	-		(31,384)	
17. Miscellaneous expenses	(202)		65	
18. Foreign exchange (gain)/ loss on consolidation	31,422		(2,813)	
19. Profit on Sale of Current Investments	-		(1,210)	
20. Loss on sale of Investments	-		32,597	
21. Mark to market loss on derivative transaction	(19,725)		52,825	
		938,148		695,636
<b>Operating Profit before Working Capital Changes</b>		<b>2,008,309</b>		<b>1,593,154</b>
<b>Adjustments for :</b>				
1. Trade and other receivables	(3,609,252)		(2,710,090)	
2. Inventories	(326,120)		(168,577)	
3. Trade Payables	1,464,263	(2,471,109)	1,901,875	(976,792)
<b>Cash generated from/ (used in) Operations</b>		<b>(462,800)</b>		<b>616,362</b>
1. Direct Taxes Paid (net of refund received)	(188,562)		(265,541)	
		(188,562)		(265,541)
<b>Net Cash from/ (used in) Operating Activities</b>		<b>(651,362)</b>		<b>350,821</b>
<b>B. Cash Flow from Investing Activities:</b>				
Purchase of Fixed Assets	(812,084)		(715,154)	
Sale of Fixed Assets	109,134		15,079	
Interest Received	(7,765)		8,672	
Dividend Received	49		487	
Purchase of minority interest in subsidiary	(11,830)		-	
Purchase of long Term Investment	(289,906)		-	
Purchase of investment in subsidiary	-		(343,458)	
Purchase of Current Investments	(515,034)		(126,505)	
Sale of Current Investments	547,361		117,113	
Sale of Investment in subsidiary	-	(980,075)	99,307	(944,459)
<b>Net Cash from/ (used in) Investing Activities</b>		<b>(980,075)</b>		<b>(944,459)</b>



## CONSOLIDATED CASH FLOW STATEMENT (Contd.)

	For the year ended 31st March, 2011		For the year ended 31st March, 2010	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>C. Cash Flow from Financing Activities:</b>				
Interest Paid	(442,511)		(400,334)	
Proceeds / (Refund) of share warrants application money	(702)		23,716	
Proceeds from Issue of Share Capital	–		303,801	
Proceeds from Long Term Borrowings	815,471		595,124	
Repayment of Long Term Borrowings	(601,811)		(128,658)	
Proceeds from Other Borrowings (Net)	1,798,790		903,283	
Dividend paid (including tax thereon)	(61,116)	1,508,121	(46,464)	1,250,468
<b>Net Cash from/ (used in) Financing Activities</b>		<b>1,508,121</b>		<b>1,250,468</b>
Net Increase/(Decrease) in Cash and Cash Equivalents		(123,316)		656,830
Cash and Cash Equivalents (Opening Balance)		1,245,709		418,041
Add: Taken over from MSEL		–		170,838
<b>Cash and Cash Equivalents (Closing Balance)(Refer Schedule 9)</b>		<b>1,122,393</b>		<b>1,245,709</b>

Notes to the Cash Flow Statement for the year ended 31st March 2011

- The above Cash Flow Statement has been prepared under the “Indirect Method” as set out in the Accounting Standard - 3 on Cash Flow Statement.
- Previous year’s figure have been rearranged and/or regrouped wherever necessary.  
This is the Cash Flow Statement referred to in our report of even date.

For **Lovelock & Lewes**  
Chartered Accountants  
Firm Registration Number 301056E  
**Partha Mitra**  
Partner  
Membership No. 50553  
Kolkata, 14th July, 2011

**Deepak Khaitan** - Chairman  
**Prasanta Kumar Chandra** - Wholetime Director & COO  
**Prabir Ghosh** - Wholetime Director & Group CFO  
**D. Chatterjee** - Vice President & Company Secretary





**McNALLY BHARAT ENGINEERING COMPANY LIMITED**

Regd. Office : 4 Mangoe Lane, 4th floor, Kolkata -700001

**ATTENDANCE SLIP**  
48th Annual General Meeting

Members or their proxies are requested to present this attendance slip for entry, duly completed and signed in accordance with their specimen signatures registered with the Company.

DP ID
Regd. Folio. No. *

CLIENT ID
No. of Shares

Name of Member .....

Name of Proxy.....

Address as registered with the Company .....

.....

I/ We hereby record my presence at the Forty Eighth Annual General Meeting of the Company held on Friday, the 23rd day of September, 2011 at 3.00 P.M. at Rotary Sadan, 94/2, Chowringhee Road, Kolkata 700020.

Please (✓) in the box.

Member     Proxy

\_\_\_\_\_  
Member's Signature

\_\_\_\_\_  
Proxy's Signature

\* Applicable for investor holding shares in physical form.



**McNALLY BHARAT ENGINEERING COMPANY LIMITED**

Regd. Office : 4 Mangoe Lane, 4th floor, Kolkata -700001

**PROXY FORM**  
48th Annual General Meeting

DP ID
Regd. Folio. No. *

CLIENT ID
No. of Shares

I/ We .....being a Member of McNally Bharat Engineering Company Limited., hereby appoint ..... of ..... or failing him .....

of ..... as my/ our proxy to attend and vote for me/us on my/our behalf

at the 48th Annual General Meeting of the Company scheduled to be held on Friday, the 23rd day of September, 2011 at 3.00 P.M.

at Rotary Sadan, 94/2, Chowringhee Road, Kolkata 700020, or/and at any adjournment thereof.

Signed by the said .....

REVENUE STAMP
------------------

\* Applicable for investors holding shares in physical form.

Note : The proxy form duly completed and signed should be deposited at the Registered Office of the Company situated at 4 Mangoe Lane, 4th floor, Kolkata -700001, not less than 48 hours before the commencement of the Annual General Meeting.



## McNally Bharat Engineering Company Limited

Regd. Office: 4, Mangoe Lane, Kolkata 700001

### NOTICE

NOTICE is hereby given that the Forty Eighth Annual General Meeting of the Members of McNally Bharat Engineering Company Limited will be held on Friday, September 23, 2011, at 03:00 p.m at Rotary Sadan, 94/2, Chowringhee Road, Kolkata – 700020, to transact the following business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at March 31, 2011, the Profit and Loss account for the year ended on that date and the Report of the Directors and Auditors thereon.
2. To declare a dividend on Equity Shares for the financial year ended March 31, 2011.
3. To appoint a Director in place of Mr. V K Verma, who retires by rotation and, being eligible, seeks re-appointment.
4. To appoint a Director in place of Mr. S R Dasgupta, who retires by rotation and, being eligible, seeks re-appointment.
5. To appoint a Director in place of Mr. Amritanshu Khaitan, who retires by rotation and, being eligible, seeks re-appointment.
6. To appoint Statutory Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and authorize the Board to fix their remuneration. M/S Lovelock & Lewes, Chartered Accountants, retiring Auditors being eligible, offer themselves for reappointment.

#### SPECIAL BUSINESS

7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:  
“RESOLVED THAT Mr. Sudipto Sarkar, who was appointed by the Board of Directors as an Additional Director of the Company, on May 6, 2011, under Section 260 of the Companies Act, 1956 and Article 103 of Articles of Association of the Company and who holds office up to the date of the forthcoming Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation”
8. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:  
“RESOLVED THAT Mr. P H Ravikumar, who was appointed by the Board of Directors as an Additional Director of the Company, on May 6, 2011, under Section 260 of the Companies Act, 1956 and Article 103 of Articles of Association of the Company and who holds office up to the date of the forthcoming Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation”
9. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:  
“RESOLVED THAT Mr. Aditya Khaitan, who was appointed by the Board of Directors as an Additional Director of the Company, on June 27, 2011, under Section 260 of the Companies Act, 1956 and Article 103 of Articles of Association of the Company and who holds office up to the date of the forthcoming Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation”
10. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:  
“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval of the Company is hereby given to the appointment of Mr. Deepak Khaitan, presently the Non-Executive Chairman, as Executive Chairman of the Company for a period of five years with effect August 12, 2011 on the terms, conditions and remuneration as stated in the explanatory statement to the Notice convening this Meeting of the Company.”
11. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:  
“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval of the Company is hereby given to the appointment of Mr. Prasanta Kumar Chandra, presently the President, Chief Operating Officer and in charge of the Project business of the Company, as Whole-time Director and Chief Operating Officer of the Company for a period of five years with effect February 14, 2011 on the terms, conditions and remuneration as stated in the explanatory statement to the Notice convening this Meeting of the Company.”
12. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:  
“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval of the Company is hereby given to the appointment of Mr. Prabir Ghosh, presently the President and Chief Financial Officer of the Company, as Whole-time Director and Group Chief Financial Officer of the Company for a period of five years with effect June 27, 2011 on the terms, conditions and remuneration as stated in the explanatory statement to the Notice convening this Meeting of the Company.”

By Order of the Board of Directors  
For **McNally Bharat Engineering Company Limited**

D. Chatterjee  
Vice President & *Company Secretary*

Kolkata, August 12, 2011

#### NOTES

1. A Member, entitled to attend and vote at the Annual General Meeting, is entitled to appoint a proxy to attend and vote in the meeting instead of himself and the Proxy need not be a Member of the Company.
2. A proxy form duly completed and stamped, must reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
3. Members/Proxies should bring the Attendance Slip sent herewith, duly filled in, for attending the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from September 17, 2011 to September 23, 2011 (both days inclusive).

5. Members who are holding Shares in identical order or names in more than one folio are requested to send to the Company the details of such folios together with the Share Certificates for consolidating their holdings in one folio. The Share Certificates will be returned to the Members after making requisite changes thereon.
6. Non-resident Indian Shareholders are requested to inform the Company immediately:
  - a. The change in residential status on return to India for permanent settlement;
  - b. The particulars of the Bank Account maintained in India with complete name, branch, Account type, account number and address of the Bank, if not furnished earlier.
7. Information u/s 205A of the Companies Act, 1956 read with the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 as amended is given below:
  - a. Consequent upon amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of the Dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.
8. The Shareholders are requested to send directly all documents, transfer, demat requests and other communication in relation thereto to the Registrar at their following address:
 

M/S Maheshwari Datamatics Pvt. Ltd.  
Unit: McNally Bharat Engineering Co. Ltd.  
6 Mangoe Lane, 2nd Floor, Kolkata – 700001

## **EXPLANATORY STATEMENT SETTING OUT MATERIAL FACTS AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956**

### **Item No. 7**

Mr. Sudipto Sarkar was appointed with effect from May 6, 2011 as an Additional Director to hold office up to the date of the forthcoming Annual General Meeting.

The Company has received a notice along with the requisite fee of Rs.500 from a member under section 257 of the Companies Act, 1956, proposing the candidature of Mr. Sudipto Sarkar as a Director of the Company.

None of the Directors, other than Mr. Sudipto Sarkar, are interested or concerned in the resolution.

Your Directors recommend the resolution for appointment of Mr. Sudipto Sarkar for approval of the members.

### **Item No. 8**

Mr. P H Ravikumar was appointed with effect from May 6, 2011 as an Additional Director to hold office up to the date of the forthcoming Annual General Meeting.

The Company has received a notice along with the requisite fee of Rs.500 from a member under section 257 of the Companies Act, 1956, proposing the candidature of Mr. P H Ravikumar as a Director of the Company.

None of the Directors, other than Mr. P H Ravikumar, are interested or concerned in the resolution.

Your Directors recommend the resolution for appointment of Mr. P H Ravikumar for approval of the members.

### **Item No. 9**

Mr. Aditya Khaitan was appointed with effect from June 27, 2011 as an Additional Director to hold office up to the date of the forthcoming Annual General Meeting.

The Company has received a notice along with the requisite fee of Rs. 500 from a member under section 257 of the Companies Act, 1956, proposing the candidature of Mr. Aditya Khaitan as a Director of the Company.

None of the Directors other than Mr. Aditya Khaitan, and Mr. Amritanshu Khaitan and Mr. Deepak Khaitan, who are related to Mr. Aditya Khaitan, are interested or concerned in the resolution.

Your Directors recommend the resolution for appointment of Mr. Aditya Khaitan for approval of the members.

### **Item No. 10**

The Board of Directors, at their meeting held on August 12, 2011, appointed Mr. Deepak Khaitan as the Executive Chairman of the Company with effect from August 12, 2011, subject to the approval of members. The terms and conditions of his appointment are as follows:

1. *Period of Appointment* –  
Five years beginning from August 12, 2011.
2. *Details of remuneration* –  
Salary: Rs. 1,000,000/- per month, in the scale of Rs. 1,000,000 to Rs. 5,000,000, with authority to the Board of Directors to revise the same from time to time and give such annual increment/increase.  
House Rent Allowance: Payable at the rate of 60% of the salary.  
Performance Bonus: Payable annually, for each financial year, as may be determined by the Board.  
Variable Pay and Other Benefits like House Rent Allowance, Reimbursement of Expenses incurred for and on behalf of the Company and Medical Reimbursement: As may be determined by the Board of Directors from time to time.  
All the prerequisites shall be limited to the ceiling as laid down in Schedule XIII of the Companies Act, 1956



3. *Others Terms & Conditions –*

During the period of service, the Executive Chairman shall:

- Faithfully and diligently serve the Company as Executive Chairman of the Company;
- Devote his whole time and attention and best skill and care to the business of the Company and shall use his utmost exertion to promote the interest of the Company;
- Not at any time or times hereafter divulge or make known any of the trusts, secrets, accounts, dealings of or relating to the business of the Company or the terms of this Agreement, but shall keep the same undisclosed and inviolate;
- Be entitled to the management of the whole or substantially the whole of the affairs of the Company, subject to the superintendence, control and direction of the Board of Directors of the Company and the applicable provisions of the Companies Act, 1956, as amended thereafter, for the time being in force;
- Not directly be engaged in any other service or business whatsoever without the prior approval of the Company;
- Give to the Company the option of acquiring for such consideration as they may reasonably determine the rights of all inventions, processes and secret methods of information he shall have invented, acquired or learned, either in the course of this service or otherwise.

The terms of appointment of Mr. Deepak Khaitan may be treated as the abstract under Section 302 of the Companies Act, 1956. With compliance of the provisions of Sections 209 and 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the resolution seeks the approval of the members for the appointment of Mr. Deepak Khaitan as Executive Chairman of the Company. None of the Directors, except Mr. Deepak Khaitan, and Mr. Aditya Khaitan and Mr. Amritanshu Khaitan, who are related to Mr. Deepak Khaitan, are interested or concerned in this resolution.

Your Directors recommend the resolution for appointment of Mr. Deepak Khaitan for approval of the members.

**Item No. 11**

The Board of Directors, at their meeting held on February 14, 2011, appointed Mr. Prasanta Kumar Chandra as Whole-Time Director and Chief Operating Officer of the Company with effect from February 14, 2011, subject to the approval of members. The terms and conditions of his appointment are as follows:

1. *Period of Appointment –*

Five years beginning from February 14, 2011.

2. *Details of remuneration –*

Salary: Rs.290,000/- per month, increased from Rs. 270,000 with effect from April 1, 2011, in the scale of Rs.150,000/- to Rs.750,000/-, with authority to the Board of Directors to revise the same from time to time and give such annual increment/increase. Performance Bonus: Payable annually, for each financial year, as may be determined by the Board.

Reimbursement: In addition to the salary and performance bonus payable, the Whole Time Director shall also be entitled to reimbursement of Rs.522,000/- per month, increased from Rs. 486,000 with effect from April 1, 2011, in the scale of Rs.400,000/- to Rs.1,000,000/-.

Variable Pay and Other Benefits: As may be determined by the Board of Directors from time to time.

All the perquisites shall be limited to the ceiling as laid down in Schedule XIII of the Companies Act, 1956

3. *Others Terms & Conditions –*

During the period of service, the Whole Time Director and Chief Operating Officer shall:

- Faithfully and diligently serve the Company as Whole Time Director and Chief Operating Officer of the Company;
- Devote his whole time and attention and best skill and care to the business of the Company and shall use his utmost exertion to promote the interest of the Company;
- Not at any time or times hereafter divulge or make known any of the trusts, secrets, accounts, dealings of or relating to the business of the Company or the terms of this Agreement, but shall keep the same undisclosed and inviolate;
- Be entitled to the management of the whole or substantially the whole of the affairs of the Company, subject to the superintendence, control and direction of the Board of Directors of the Company and the applicable provisions of the Companies Act, 1956, as amended thereafter, for the time being in force;
- Not directly be engaged in any other service or business whatsoever without the prior approval of the Company;
- Give to the Company the option of acquiring for such consideration as they may reasonably determine the rights of all inventions, processes and secret methods of information he shall have invented, acquired or learned, either in the course of this service or otherwise.

An abstract of the terms of appointment of Mr. Prasanta Kumar Chandra pursuant to Section 302 of the Act was sent to the members in February 2011.

With compliance of the provisions of Sections 209 and 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the resolution seeks the approval of the members for the appointment of Mr. Prasanta Kumar Chandra as Whole-Time Director and Chief Operating Officer of the Company.

None of the Directors, except Mr. Prasanta Kumar Chandra, are interested or concerned in this resolution.

Your Directors recommend the resolution for appointment of Mr. Prasanta Kumar Chandra for approval of the members.

**Item No. 12**

The Board of Directors, at their meeting held on June 27, 2011, appointed Mr. Prabir Ghosh as Whole-Time Director & Group Chief Financial Officer of the Company with effect from June 27, 2011, subject to the approval of members. The terms and conditions of his appointment are as follows:

1. *Period of Appointment* –  
Five years beginning from June 27, 2011.
2. *Details of remuneration* –  
Salary: Rs.290,000/- per month, in the scale of Rs.150,000/- to Rs.750,000/-, with authority to the Board of Directors to revise the same from time to time and give such annual increment/increase.  
Performance Bonus: Payable annually, for each financial year, as may be determined by the Board.  
Reimbursement: In addition to the salary and performance bonus payable, the Whole Time Director & Group Chief Financial Officer shall also be entitled to reimbursement of Rs.522,000/- per month in the scale of Rs.400,000/- to Rs.1,000,000/-.  
Variable Pay and Other Benefits: As may be determined by the Board of Directors from time to time.  
All the perquisites shall be limited to the ceiling as laid down in Schedule XIII of the Companies Act, 1956.
3. *Others Terms & Conditions* –  
During the period of service, the Whole Time Director & Group Chief Financial Officer shall:
  - Faithfully and diligently serve the Company as Whole Time Director & Group Chief Financial Officer of the Company;
  - Devote his whole time and attention and best skill and care to the business of the Company and shall use his utmost exertion to promote the interest of the Company;
  - Not at any time or times hereafter divulge or make known any of the trusts, secrets, accounts, dealings of or relating to the business of the Company or the terms of this Agreement, but shall keep the same undisclosed and inviolate;
  - Be entitled to the management of the whole or substantially the whole of the affairs of the Company, subject to the superintendence, control and direction of the Board of Directors of the Company and the applicable provisions of the Companies Act, 1956, as amended thereafter, for the time being in force;
  - Not directly be engaged in any other service or business whatsoever without the prior approval of the Company;
  - Give to the Company the option of acquiring for such consideration as they may reasonably determine the rights of all inventions, processes and secret methods of information he shall have invented, acquired or learned, either in the course of this service or otherwise.

An abstract of the terms of appointment of Mr. Prabir Ghosh pursuant to Section 302 of the Act was sent to the members in July 2011. With compliance of the provisions of Sections 209 and 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the resolution seeks the approval of the members for the appointment of Mr. Prabir Ghosh as Whole-Time Director & Group Chief Financial Officer of the Company.

None of the Directors are interested or concerned in this resolution.

Your Directors recommend the resolution for appointment of Mr. Prabir Ghosh for approval of the members.

**Particulars of Directors seeking appointment/re-appointment at this Annual General Meeting pursuant to Clause 49(IV)(G) of the Listing Agreement:**

Name of Director	Mr. Deepak Khaitan
Date of Birth	May 9, 1955
Date of Appointment	November 17, 1995
Expertise in specific functional areas	Business Executive
Qualifications	B. Com (Hons.), MBA (Geneva)
List of outside Directorships held	<ol style="list-style-type: none"> <li>1. Williamson Magor &amp; Co. Ltd</li> <li>2. McLeod Russel India Ltd</li> <li>3. Eveready Industries India Ltd</li> <li>4. Williamson Financial Services Ltd</li> <li>5. Babcock Borsig Ltd</li> <li>6. Kilburn Engineering Ltd</li> <li>7. McNally Sayaji Engineering Ltd</li> </ol>
Chairman/Member of the Committee of the Board of Directors of the Company	Nil
Chairman/Member of the Committee of the Directors of other companies in which he is a Director	
a) Audit Committee	Member – Babcock Borsig Ltd
b) Shareholders'/Investors' Grievance Committee	Nil
c) Remuneration Committee	Member – Babcock Borsig Ltd
d) Nomination Committee	Nil
Shareholding in the Company as on 31.03.2011	Nil



<b>Name of Director</b>	<b>Mr. V K Verma</b>
Date of Birth	November 2, 1931
Date of Appointment	November 29, 1978
Expertise in specific functional areas	Business Executive
Qualifications	B. Com (Hons.), DBM, FCS, FCA
List of outside Directorships held	Nil
Chairman/Member of the Committee of the Board of Directors of the Company	3
Chairman/Member of the Committee of the Directors of other companies in which he is a Director	
a) Audit Committee	Nil
b) Shareholders'/Investors' Grievance Committee	Nil
c) Remuneration Committee	Nil
d) Nomination Committee	Nil
Shareholding in the Company as on 31.03.2011	Nil

<b>Name of Director</b>	<b>Mr. S R Dasgupta</b>
Date of Birth	October 10, 1945
Date of Appointment	June 21, 2007
Expertise in specific functional areas	Business Executive
Qualifications	B. A (Eco)
List of outside Directorships held	<ol style="list-style-type: none"> <li>1. Eveready Industries India Ltd</li> <li>2. Kilburn Engineering Ltd</li> <li>3. McNally Sayaji Engineering Ltd</li> <li>4. MBE Mineral Technologies Pte. Ltd.</li> <li>5. China Town Properties Pvt. Ltd.</li> <li>6. Trans Global Plc</li> <li>7. Trans Global Group Ltd., UK</li> <li>8. Waterbright Pte. Ltd., Singapore</li> <li>9. Uniross SA</li> <li>10. Novener SAS</li> <li>11. Cairnhill Development Pvt. Ltd.</li> </ol>
Chairman/Member of the Committee of the Board of Directors of the Company	Nil
Chairman/Member of the Committee of the Directors of other companies in which he is a Director	
a) Audit Committee	Kilburn Engineering Ltd
b) Shareholders'/Investors' Grievance Committee	Nil
c) Remuneration Committee	Kilburn Engineering Ltd
d) Nomination Committee	Nil
Shareholding in the Company as on 31.03.2011	Nil



<b>Name of Director</b>	<b>Mr. Amritanshu Khaitan</b>
Date of Birth	November 7, 1982
Date of Appointment	October 31, 2006
Expertise in specific functional areas	Business Executive
Qualifications	B. Com (Hons.), MBA (London)
List of outside Directorships held	<ol style="list-style-type: none"> <li>1. Ichamati Investments Pvt. Ltd.</li> <li>2. Kilburn Engineering Ltd.</li> <li>3. Nitya Holdings &amp; Properties Pvt. Ltd.</li> <li>4. Prana Life Style Pvt. Ltd.</li> <li>5. Queens Park Property Co.</li> <li>6. Seajuli Developers &amp; Finance Ltd.</li> <li>7. United Machine Co. Ltd.</li> </ol>
Chairman/Member of the Committee of the Board of Directors of the Company	Nil
Chairman/Member of the Committee of the Directors of other companies in which he is a Director	
a) Audit Committee	Nil
b) Shareholders'/Investors' Grievance Committee	Nil
c) Remuneration Committee	Nil
d) Nomination Committee	Nil
Shareholding in the Company as on 31.03.2011	Nil

<b>Name of Director</b>	<b>Mr. Sudipto Sarkar</b>
Date of Birth	March 21, 1946
Date of Appointment	May 6, 2011
Expertise in specific functional areas	Legal Counsel
Qualifications	M.A., LL.M from Cambridge University, UK, Barrister Grays Inn, London
List of outside Directorships held	<ol style="list-style-type: none"> <li>1. JSW Steel Ltd.</li> <li>2. Vesuvius India Ltd.</li> <li>3. Bombay Stock Exchange Ltd.</li> <li>4. B&amp;A Ltd.</li> <li>5. EIH Associated Hotels Ltd.</li> <li>6. Eveready Industries Ltd.</li> <li>7. B&amp;A Packaging India Ltd.</li> <li>8. Descon Ltd.</li> </ol>
Chairman/Member of the Committee of the Board of Directors of the Company	Nil
Chairman/Member of the Committee of the Directors of other companies in which he is a Director	
a) Audit Committee	JSW Steel Ltd, Vesuvius India Ltd & EIH Associated Hotels Ltd
b) Shareholders'/Investors' Grievance Committee	Vesuvius India Ltd
c) Remuneration Committee	Nil
d) Nomination Committee	Nil
Shareholding in the Company as on 31.03.2011	Nil



<b>Name of Director</b>	<b>Mr. P H Ravi Kumar</b>
Date of Birth	July 20, 1951
Date of Appointment	May 6, 2011
Expertise in specific functional areas	Banking and Financial Service Sector
Qualifications	B. Com, CAIIB, AIB (London)
List of outside Directorships held	<ol style="list-style-type: none"> <li>1. Bharat Forge Ltd.</li> <li>2. Eveready Industries India Ltd.</li> <li>3. Federal Bank Ltd.</li> <li>4. McLeod Russel India Ltd.</li> <li>5. SKS Microfinance Ltd.</li> <li>6. Fedbank Financial Services Ltd.</li> <li>7. IDBI Federal Life Insurance Co. Ltd.</li> <li>8. Titan Energy Ltd.</li> <li>9. BOB Capital Markets Ltd.</li> <li>10. Birla Capital Advisors Pvt. Ltd.</li> </ol>
Chairman/Member of the Committee of the Board of Directors of the Company	Nil
Chairman/Member of the Committee of the Directors of other companies in which he is a Director	
a) Audit Committee	Nil
b) Shareholders'/Investors' Grievance Committee	Nil
c) Remuneration Committee	Nil
d) Nomination Committee	
Shareholding in the Company as on 31.03.2011	Nil

<b>Name of Director</b>	<b>Mr. Aditya Khaitan</b>
Date of Birth	January 30, 1968
Date of Appointment	June 27, 2011
Expertise in specific functional areas	Business Executive
Qualifications	B. Com (Hons.)
List of outside Directorships held	<ol style="list-style-type: none"> <li>1. Williamson Magor &amp; Co. Ltd.</li> <li>2. McLeod Russel India Ltd</li> <li>3. Eveready Industries India Ltd.</li> <li>4. Williamson Financial Services Ltd.</li> <li>5. Babcock Borsig Ltd.</li> <li>6. Woodside Parks Ltd.</li> <li>7. International Development &amp; Engineering Associates Ltd.</li> <li>8. D1 Williamson Magor Bio Fuel Ltd.</li> <li>9. Prana Lifestyle Pvt. Ltd.</li> </ol>
Chairman/Member of the Committee of the Board of Directors of the Company	Nil
Chairman/Member of the Committee of the Directors of other companies in which he is a Director	
a) Audit Committee	Babcock Borsig Ltd & D1 Williamson Magor Bio Fuel Ltd (Chairman)
b) Shareholders'/Investors' Grievance Committee	Nil
c) Remuneration Committee	Babcock Borsig Ltd & D1 Williamson Magor Bio Fuel Ltd (Chairman)
d) Nomination Committee	Nil
Shareholding in the Company as on 31.03.2011	Nil

<b>Name of Director</b>	<b>Mr. Prasanta Kumar Chandra</b>
Date of Birth	February 1, 1957
Date of Appointment	February 14, 2011 (As a director)
Expertise in specific functional areas	Business Executive
Qualifications	BE (Mech), AICWA, PGDM
List of outside Directorships held	1. McNally Bharat Infrastructure Ltd. 2. McNally Humboldt Wedag Minerals India Pvt. Ltd.
Chairman/Member of the Committee of the Board of Directors of the Company	Nil
Chairman/Member of the Committee of the Directors of other companies in which he is a Director	
a) Audit Committee	Nil
b) Shareholders'/Investors' Grievance Committee	Nil
c) Remuneration Committee	Nil
d) Nomination Committee	Nil
Shareholding in the Company as on 31.03.2011	1,000 Equity Shares of Rs.10/- each

<b>Name of Director</b>	<b>Mr. Prabir Ghosh</b>
Date of Birth	June 4, 1959
Date of Appointment	June 27, 2011 (As a director)
Expertise in specific functional areas	Business Executive
Qualifications	B. Com (Hons.), ACA
List of outside Directorships held	McNally Bharat Infrastructure Ltd.
Chairman/Member of the Committee of the Board of Directors of the Company	
Chairman/Member of the Committee of the Directors of other companies in which he is a Director	
a) Audit Committee	Nil
b) Shareholders'/Investors' Grievance Committee	Nil
c) Remuneration Committee	Nil
d) Nomination Committee	Nil
Shareholding in the Company as on 31.03.2011	1,000 Equity Shares of Rs.10/- each





**McNally Bharat Engineering Company Limited**

Ecospace Campus 2B 11F/12 (Old Plot No AA II/Blk 3) New Town Rajarhat North 24 Parganas Kolkata 700156 India T +91 33 66281111 F +91 33 66282277