

McNally Bharat Engineering Company Limited

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FORM A

Covering letter of the annual audit report on the Annual Financial Statements for the year ended 31st March, 2013

| | | |
|----|--|--|
| 1. | Name of Company | McNally Bharat Engineering Company Limited |
| 2. | Annual financial statements for the year ended | March 31, 2013 |
| 3. | Type of Audit observation | Un-qualified |
| 4. | Frequency of observation | Not applicable |



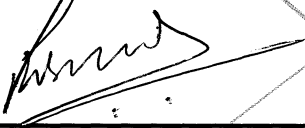
Mr. Prabir Ghosh
Whole Time Director & Group CFO



Mr. Prasanta Kumar Chandra
Whole Time Director & COO



Mr. Virendra Kumar Verma
Chairman, Audit Committee



Mr. Prabal Kr. Sarkar
Membership No. 52340
Partner
Lovelock & Lewes, Chartered Accountants
Firm Registration Number 301056E



ANNUAL REPORT 2012 - 13



Ideal Power, Nagpur (270 MW)

CORPORATE INFORMATION



Deepak Khaitan
Executive Chairman

Directors

Aditya Khaitan

Virendra Kumar Verma

Utsav Parekh

Amritanshu Khaitan

Subir Ranjan Dasgupta

Asim Kumar Barman

Puranam Hayagreeva Ravikumar

Sudipto Sarkar

Prasanta Kumar Chandra

Whole Time Director & COO

Prabir Ghosh

Whole Time Director & Group CFO

Company Secretary

Sukanta Chattopadhyay

Bankers

Bank of India

Axis Bank Limited

Canara Bank

HDFC Bank Limited

ICICI Bank Limited

IDBI Bank Limited

ING Vysya Bank Limited

Oriental Bank of Commerce

Punjab National Bank

State Bank of India

The Karur Vysya Bank Limited

UCO Bank

Union Bank of India

United Bank of India

Yes Bank Limited

Registered Office

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Corporate Office

Ecospace Business Park, Campus 2B

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Kolkata – 700156, West Bengal, India

T: +91 33 3014 1111 / 6628 1111

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Auditors

Lovelock & Lewes, Chartered Accountants

Solicitors

Khaitan & Co

S K Sawday & Co

Registrars & Share Transfer Agents

Maheshwari Datamatics Private Limited

6 Mangoe Lane

2nd Floor

Kolkata – 700001

T: +91 33 2243 5029/5809

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Year of Consolidation

The year 2012 – 13 has been another significant year for McNally Bharat Engineering Co. Ltd.

In spite of global downturn, the Group turnover was slightly higher this year at Rs 2682 crores and the standalone turnover of MBE grew by around 5% to Rs 2190 crores. During the year we commissioned two landmark Balance of Plant Projects for Ideal Energy, Nagpur (1 X 270 MW) and Unit 10 of MPPGCL, Satpura (250MW). We made a significant entry into the lucrative cement sector, where we won a turnkey contract from Holcim Group to construct a cement plant at Jamul in collaboration with KHD Humboldt Wedag. We have also signed a LOI for a Flourspar Concentrator Plant from Sephaku Fluoride Ltd South Africa.

This year has been a consolidation of our Marketing efforts and reach. We have set up Regional offices in Mumbai, Delhi NCR and Chennai to service our clients better in these regions. In addition to the South Africa office, we are also setting up offices in Abu Dhabi & Jakarta to tap the highly potential markets in Middle East & South East Asia. Having taken these steps, we expect in future to make inroads in these markets to offset the slowdown we are facing in the domestic markets

Our Infrastructure, Projects & Construction Division has bagged a number of orders from clients such as BPCL refinery, Gammon (Kolkata Metro project), Olympia Merlin Developers, BMM Ispat, Tata Projects, BHEL & HRBC. Our timely decision to enter the Construction & Infrastructure sector has strategically been an excellent move and we have been regularly getting orders from this sector.

We have also bagged a number of projects in the Water sector and also in ash handling & coal handling plants.

Overall, the order booking position in the past year has been satisfactory in spite of adverse market conditions.

There are signs that we have seen through the poor phase of the economy and look forward to better prospects in 2013-14, when I am confident that our sincere and hard working team will perform exceedingly well.



Deepak Khaitan

Executive Chairman, McNally Bharat Engineering Co. Ltd.

The year 2012-13 has been difficult for the Indian economy, when its growth was the slowest in a decade at 5%. In sectors that are of interest to your company, the growth was only 0.4% in mining, manufacturing grew at 1.9% whereas electricity & water supply grew at 4.9 %. The construction industry performed relatively better and grew at 5.9%. Some of the reasons that can be attributed to the poor growth is the slowing down in investment since 2011-12 due to tighter monetary policy & investment bottlenecks. We were also affected by the slowing down of the global economy and a weak monsoon.

Your Directors take great pleasure in presenting the Fiftieth Annual Report together with audited statement of accounts for the year ended March 31, 2013.

Highlights

The key highlights of the operations for the financial year 2012-13 over the previous year are (based on standalone accounts only in all cases):

Total Income Increased by 4.75%

Earnings before Finance Cost , Depreciation & Amortization and Tax increased by 12.09%

Financial Results

The Financial performance of the Company for the year ended March 31, 2013 is summarized below:

Rs. in Lakhs

| PARTICULARS | Standalone year ending March 31, 2013 | Standalone year ending March 31, 2012 |
|---|--|--|
| Sales (Net of Excise) and other income | 219,056 | 209,126 |
| Profit before Finance Cost, Depreciation & Amortization and Tax | 17,023 | 15,187 |
| Less: Finance Cost | 10,003 | 6,281 |
| Earnings before Depreciation & Amortization and Tax | 7,020 | 8,906 |
| Less: Depreciation & Amortization | 1,358 | 1,053 |
| Profit before Tax | 5,662 | 7,853 |
| Less: Provision for Taxation (including Deferred Tax) | 1,799 | 1,289 |
| Profit after Tax | 3,863 | 6,564 |
| Amount brought forward from previous year | 19,693 | 13,635 |
| Profit available for Appropriations | 23,556 | 20,199 |
| Proposed for Dividend on equity shares for the year | 311 | 311 |
| Dividend Distribution Tax on Proposed Dividend on Equity Shares | 53 | 30 |
| Transfer to General Reserve | 97 | 165 |
| Proposed Dividend on preference shares for the year | 6 | – |
| Dividend Distribution Tax on Proposed Dividend on Preference Shares | 1 | – |
| Balance at the end of the year | 23,088 | 19,693 |

Business Performance

Your Directors are pleased to report that 2012-13 turned out to be yet another satisfactory year during which your company achieved its highest ever turnover of Rs 2,190 crores as against Rs 2,091 crores during the previous year.

However, due to credit crunch faced by our clients across all sectors, collections and working capital management was a challenge, resulting in increased borrowings and higher interest charges.



300Tons Goliath crane.Mazagon Docks

Order Book



Primary Gas Cooler.IISCO SAIL

Your Company has an order backlog of around Rs. 4,707 crores as on March 31, 2013.

Some of the significant orders bagged during the year are mentioned below, which are currently under execution:

- Construction of a 9000 TPD Integrated Cement Plant in technical collaboration with KHD Humboldt Wedag for Holcim Group at their ACC Jamul plant.
- Fluorspar Concentrator plant for Sephaku Fluoride Ltd, South Africa (LOI received)
- Coal Handling Plant for Sagardighi TPP units 3 & 4 (2 X 500 MW) for West Bengal Power Development Corporation Ltd.
- Ash Handling & Ash water recirculation system for NTPC at Mouda STPP (2 X 660 MW)
- Civil & Structural works for BPCL refinery
- Paste Fill Plant for Hindustan Zinc Ltd
- External water system for Mills & Fire Water Pump houses in Bhilai Steel Plant
- Civil works for 3 X 67.5 MW gas based thermal power plant for IEL, Kalinganagar. Client Tata Power
- Civil works for Barauni TPP. Client BHEL
- Construction of 3 metro stations at Behala Bazar, Taratala & Majerhat for Kolkata Metro. Client Gammon.
- Coal handling & Ash handling plant for 2 X 250 MW Barauni TPP. Client BHEL
- Water supply package for Barauni TPP Ph I (2 X 110 MW) & Phase II (2 X 250 MW)
- Construction of schools, hostels & quarters in Bankura & Purulia districts. Client HRBC



Coal Handling Plant, Ideal Power

Project Execution



Stacker Reclaimer.Satpura TPP

During the year a number of projects were at various stages of execution. Some of the major projects which were commissioned during the year:

- Balance of Plant for Ideal Energy (1X 270 MW)
- Balance of Plant for MPPGCL, Satpura Unit 10 (250 MW)
- Coal handling Plant for Ukai TPP (500 MW). Client Gujarat State Electricity Corpn
- Ash Handling Plant for Essar Power Gujarat Ltd, Salaya (2 X 660 MW)
- Tailing Hydro Fill plant for SK Mines, Hindusthan Z i n c Ltd.
- 300 Ton Goliath crane for Mazagaon Docks Ltd, Mumbai
- 250 Ton Goliath crane for Garden Reach Shipbuilders & Engineers Ltd, Kolkata
- 3 Nos Level Luffing cranes for Goa Shipyard
- 2 Nos Stacker cum Reclaimers for ESSAR, Salaya Power
- 2 Nos Wagon Tippler with side arm charger for Sterlite Industry, Jharsuguda
- 1 No Stacker & 1 No Reclaimer for Essar Steel, Paradip and 1 No Stacker cum Reclaimer for Essar Power, Mahan



Demineralizing Plant.Ideal Power

Activity Highlights

During the year a number of significant projects were commissioned, which vindicates MBE's capability to execute large value projects. Two Balance of Plant (BOP) projects were completed for Ideal Energy, Nagpur & MPPGCL, Satpura. The 300 ton Goliath crane for Mazagaon Docks & the 250 ton Goliath crane for GRSE were commissioned. MBE is the only company who have supplied all the Shipyard cranes in India.

Your company has been consolidating its presence in key markets by setting up offices in India & abroad. With these steps we expect a greater thrust on our marketing activities in new markets & territories, which will reflect in higher sales

growth in the future. Simultaneously, your company has been reorganising the Project Divisions to focus on new business areas. Two new Strategic Business Units were formed : Cement and Chemicals & Fertilisers. Senior professionals have been hired from Industry to strengthen Marketing & Business Units.

Quality in project delivery is of utmost priority for your company. MBE has ISO 9001-2008 & ISO 14001-2004 certification. Our laboratory is certified by NABL for non-destructive testing.

Your company is committed to implement the highest standards of Occupational Health & Safety standards at all Project sites.

We have received this year two prestigious safety awards from the Royal Society for prevention of accidents, based in UK.

- Silver Award for Occupational Health & Safety for IISCO project site (Raw Material Handling, By Products Recovery and Water packages)
- Silver Award for Occupational Health & Safety for Rourkela Steel Plant Project site (Stock House, New CHP and Inter plant Transportation packages)

Apart from this, your company has received a number of Safety awards at various project sites like GAP Lapanga, NALCO etc.

Subsidiaries

McNally Sayaji Engineering Ltd. (MSEL)



Mobile Crushing & Screening plant. Essel Mining

Some of the major orders received, which were executed during the year:

- Ball Mills from STEMCOR, Janaki Corpn., Rashi Strips, Furance Fabrica, HDO, Bhavnagar.
- Rod Mills from EPIL, TECPRO
- Chain Mills from IFFCO
- Hammer Mill & Screens from BCCL
- Scrubbers from Usha Martin & Jaiswal NECO
- Hammer Mills, Double Roll crushers (toothed & smooth) from EPIL
- Hammer Mill, Impactor, Jaw Crusher for ACC Jamul project
- 3 stage mobile crushing & screening plant from MBE
- 2 stage mobile crushing plant from Suryodaya Infra Projects
- 2 stage mobile crushing plant from Essel Mining

- Double Roll Crushers, Vibrating Feeders, Chutes & Hoppers from Archean Chemicals
- Bucket wheel excavator for Neyveli Lignite
- Stacker Reclaimers for NMDC, Sagardighi & BGR Energy
- Steel Plant equipment for SMS Meer a/c Bhilai Steel Plant
- Steel Plant equipment for Siemens a/c Bhilai Steel plant
- Equipment for By Products recovery plant from MBE a/c Bhilai Steel plant
- Skid mounted crusher plant from HINDALCO
- Thickeners from VV Minerals, Usha Martin, Bhushan Steel, Godavari Power & Ispat

Production at the new plant at Savli in Vadodara is now in full swing.

The manufacturing units have ISO 9001-2008 certification. In addition, the Asansol factory has IBR certification for manufacture of boilers & heat exchangers. The laboratory at Kumardhubi is certified by NABL for mechanical testing. The Kumardhubi unit has also obtained ISO 14001 – 2004 certification

During the year, the R&D department had successfully developed several models of the slurry pump upto 10 inch inlet diameter.

MBE Coal & Mineral Technology India Ltd.

Some of the major orders received and projects commissioned during the year:

- Renovation of coarse & fine coal Batac Jigs from CCL for Rajrappa Coal washery, Ramgarh .
- O&M for 3 years for a 425 TPH Heavy Media Coal washery at Meramandali for Bhushan Steel Ltd.
- Orders received for 90 Nos Decanter Centrifuges for Environmental projects
- Commissioned the 425 TPH Heavy Media coal washery at Meramandali for Bhushan Steel Ltd
- 100 TPH Iron ore jigging plant is under commissioning for MSPL in Hospet
- Last consignment of equipment under despatch for 150 TPH Coal washery at Karachi.



Coal washery for Bhushan Steel Ltd

Overseas Subsidiaries

All the overseas subsidiary companies under MBE Mineral Technologies Pte Ltd, Singapore, excepting the manufacturing unit in Cologne, have performed reasonably

well in spite of global slowdown, currency fluctuations and crisis in Europe. The manufacturing subsidiary in Cologne, has recorded loss due to low business volume from its main customer, for whom it works as outsourcing partner. During the year the company also implemented major downsizing exercise and reduced about 40 workmen. The cost of such reduction also impacted the Profit & Loss. As a result the company had major erosion in its net worth. As per prudent accounting principle, impairment loss of Rs. 34.5 crore have been recognized in its parent company, MBE Mineral Technologies Pte Ltd, Singapore, which is our 100% subsidiary. This has resulted in a negative impact of equivalent amount in the consolidated Profit and Loss Account of your Company.

Subsidiaries

In accordance with general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies. A Statement containing brief financial details of the subsidiary companies is included in the Annual Report in the Chapter containing Consolidated Financial Statements.

Dividend

In view of the Company's performance, the Board of Directors of your Company is pleased to recommend a dividend of Re. 1.00 (10 %) per equity share of Rs.10/- each (compared to 2011-12 Re. 1.00 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 20, 2013 to September 27, 2013 (both days inclusive).

The Non-convertible Redeemable Preference Shares allotted during the financial year are entitled to a fixed dividend of 11.5% per annum. Accordingly, the Directors have recommended, for approval of the members, a dividend of Rs. 11.50 (11.50%) per Share on 825,000 Non-convertible Redeemable Preference Shares of Rs. 100 each for the financial year 2012-13.

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 qualified Safety Engineers & 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 are displayed prominently.

Competition & contests on Safety are conducted for workmen and prizes distributed.

Directors

Mr. Amritanshu Khaitan, Mr. P H Ravikumar and Mr. Aditya 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 2013-14 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 re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

The Ministry of Corporate Affairs, Government of India, by an order directed the audit of the Cost Accounts of the Company under section 209(1)(d) of the Companies Act, 1956, in respect of Construction of industrial and non-industrial plants, structures and facilities. In terms of the said order, a compliance report, pursuant to Section 209 (1)(d), 600(3)(b) of the Companies Act, 1956, and the relevant Cost Accounting Records Rules, 2011, has been filed.

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 during the year, and as such, there are no outstanding deposits in terms of the Companies (Acceptance of Deposits) Rules, 1975.

Share Capital

During the year, the authorized share capital of the Company has been increased to Rs. 1,600,000,000 divided into 40,000,000 Equity Shares having a face value of Rs. 10/-

each and 12,000,000 Non-convertible Redeemable Preference Shares having a face value of Rs. 100/- each. Subsequently, the paid-up share capital of the Company has increased to Rs. 393,438,180 by issue of 825,000 nos. of 11.50% Non-convertible Redeemable Preference Shares of Rs. 100/- each. The paid-up Equity share capital of the company remains unchanged at 31,093,818 shares having a face value of Rs. 10/- each.

The proceeds of the issue of the said 11.50% Non-convertible Redeemable Preference Shares has been utilized to enhance the Company's net worth, improve its debt-equity ratio and to meet its working capital and other requirements.

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 alia, 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.

Corporate Social Responsibility

A new face of MBE CSR is Prayash. The Company, over the past few months has been working with an institute called Child In Need Institute (CINI), to support the under privileged children in a slum area. It is situated in a very backward region of Tiljala- Topsia under Ward-66 of KMC.

In this coaching centre learning & various activities for the school children (7 years - 12 years) are conducted on a day to day basis by CINI appointed teachers & ground level volunteers. Currently there are twenty-five children in the coaching centre. Here the community is very poor and so additional creative and exposure inputs have to be given to the children to draw them towards education. Apart from that there are activities done with the parents so as to make them realize that the need for education for their children is much greater than the meager income that they get working in tanneries and other sweat shops. Our approach is focused to support, education for the Under Privileged Children. In this project MBE & CINI are working together to ensure that the students continue with their formal education process. Beside this, counseling, workshops on motivation, stress management, refreshment and education tour is also conducted for the children.

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.

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.

Directors' 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 2012-13 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



Subir Ranjan Dasgupta
Director
Kolkata, August 14, 2013



Asim Kumar Barman
Director

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

MBE had obtained Environmental Management System certification ISO 14001.2004 in August 2010 and the surveillance audit was conducted in August 2012, in which the measures taken by us for energy conservation was accepted by the audit team. The Corporate office of MBE in ECOSPACE is a pre-certified Platinum Green project, having implemented various energy conservation measures. Routine steps like strict control & monitoring of power usage, good upkeep of equipment like DG sets & AC units have resulted in optimal usage of energy & parts. Other measures taken include minimizing paper & photocopier usage.

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 different varieties of chutes, sump tank, applications developed on Dot Net, Process silos.

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

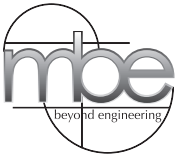
Processes developed by our R & D center being continuously absorbed and adopted on a commercial scale.

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 | Export on FOR Works Basis | 153,927 |
| | Others | — |
| Foreign Exchange Outgo | Travelling | 16,191 |
| | Professional & Consultancy Fees | 221,925 |
| | Others | 285,558 |
| | | |

ANNEXURE B TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION & ANALYSIS INDUSTRY STRUCTURE AND DEVELOPMENT

The GDP growth in 2012-13 was only 5% compared to 6.2 % in the previous year. The growth in GDP has been the lowest in a decade. During 2012-13, overall industrial growth was 3.1% compared to 3.5 % in the previous year. Growth in sectors relevant to us were Mining (0.4 %), Manufacturing (1.9%), Electricity generation (4.9 %) & Construction (5.9 %).

As per the Center for Monitoring Investment Expenditure (CMIE), new investment projects have been drying up across sectors, partly as a consequence of rising stalled projects which reduce the ability of firms to start new ones. New projects of both Private & Government sectors have been falling. Several factors are believed to have caused this including higher cost of capital, difficulties in land acquisition, coal linkages and mining bans.

However, for 2013-14, somewhat better prospects are expected. As per the "Review of the Economy 2012-13" released by Dr C Rangarajan, the economy is expected to grow by 6.4% in 2013-14. The growth of Industry (including manufacturing, mining, electricity, gas and water supply and construction) is projected at 4.9 % in 2013-14 as compared to 3.1 % in 2012-13. For the 12th Plan (2012-17), the Planning Commission has indicated that the investment in Infrastructure will double to Rs 56 Lakh Crores. A sector wise analysis is given below.

POWER

The thermal power capacity addition in 12th Plan (2012-17) is expected to be 67,686 MW. Ordering for 55,000 MW is complete and balance ordering left is 12,686 MW. In addition, ordering for around 63,400 MW is expected during the 12th Plan which will get commissioned during the 13 th Plan. Hence, total ordering expected during the 12th Plan will be around 76,086 MW which works out to an average of 15,000 MW annually. However, at present these are optimistic projections due to problems of coal linkage, land acquisition & environmental clearances.

WATER

Water sector is having vast market potential although there is intense competition in various sub-sectors with all major Indian corporate/ overseas MNCs eyeing water projects. Tender Pre-qualifications are also becoming more specific and stringent.

The estimated market size for water projects is around Rs 16,500 crores, where the share of sub sectors are : Water Treatment [43%] followed by municipal water pumping/ piping [24%] and sewage treatment sub-sectors [21%].

The trend for many Mega Municipal water supply projects are on Design – Build – Finance – Operate – Transfer (DBFOT) basis with min. 10 years O&M.

The future trend in most of the Industrial Water Treatment Packages is to include tertiary water treatment systems (like DM/RO, MB, EDI etc.). Effluent recycling along with raw water intake & treatment are being tendered as a combined package.

Sea Water desalination is picking up in the Indian market – may become one of the dominant sub-sectors in near future.

STEEL

India is the fourth largest producer of steel in the world after China, Japan & USA. The installed capacity of Steel is expected to increase 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, for EPC Packages in Steel Plants, where MBE has execution experience include raw material handling, Sinter plant, By-products recovery plant & coke oven batteries.

COAL, IRON ORE & 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 have executed two copper projects in Konkola Mines, Zambia.

Consumption of refined copper has been growing @ 10% annually and is projected to be 1.2 million tons by 2015-16. All the manufacturers, Hindusthan Copper, Sterlite & Birla have indicated expansion plans to meet the demand. For Non Ferrous metal beneficiation the focus is more on export markets due to huge reserves of ores available : Zambia & Congo for copper & Tanzania, Congo, Ghana, Guinea & Mali for Nickel & gold. In South America, investments are planned for copper, Lead – Zinc & Phosphate processing in Chile & Peru.

Due to strategic reasons, there is significant thrust on exploration & processing of Uranium ore, where MBE has strong credentials.

Government of India's restrictions on export of Iron Ore dust, and coming up with policies for its utilisation has given a boost to the Iron Ore Beneficiation industry.

Domestic Iron Ore beneficiation market holds good potential with SAIL taking up new projects in Gua, Bolani, Tasra, Kiriburu Mines, which includes beneficiation. Existing SAIL Producing Units like RSP and BSP have also embarked upon in-house pelletisation facilities, which would require ore beneficiation facilities.

Coal India is currently reviewing their Contracting strategy for Coal Washeries, which is expected to open up the dormant market for coal washeries, in view of Power Plant requirements for clean coal.

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, with Poltegor for Stacker Reclaimers and Famac for Wagon Tipplers. Container Handling is a growing market in Ports, Inland Container Depots (ICD) & Container Freight Stations (CFS). MBE plans to tie-up with reputed International companies for manufacturing container handling equipment like Reach Stackers, Rubber Tyred Gantry cranes & Rail mounted quay cranes.

Other areas of growth are component & structure outsourcing for port cranes for European manufacturers. Spare parts business is also very lucrative.

MBE has recently commenced supplying stockyard handling equipment to cement plants after receiving the EPC order for a cement plant from Holcim.

CEMENT

India is the second largest manufacturer of cement in the world after China. Currently the total installed capacity is 320 Million Tons and projected to increase to 480 Million Tons by 2017. MBE has recently made a significant breakthrough by bagging an order to build a cement plant for Holcim group of companies on turnkey basis. After successful implementation of this project, MBE hopes to make further breakthroughs in this new business segment.

INFRASTRUCTURE

The investment in Infrastructure sector during the 12th Plan (2012-17) is budgeted at Rs 56 lakh crores. The budgets allotted to sectors where we are active are Roads & Bridges (Rs 9.7 lakh crores), Power (Rs 15 lakh crores), Railway (Rs 5 lakh crores), Water supply & sanitation (Rs 2.5 lakh crores), Ports (Rs 2 lakh crores), Oil & gas pipelines (Rs 1.5 lakh crores), MRTS (Rs 1.2 lakh crores),

MBE has increased its focus in these areas, where significant breakthroughs have been made by the Infrastructure Division.

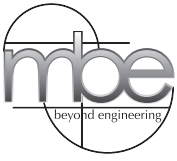
OPPORTUNITIES & THREATS

MBE is facing increased competition in many areas of its operations due to entry of a large number of domestic & International players. In addition, ordering for new projects had slowed down in the last 2 years due to delays in taking administrative & policy decision by the Government, tight money situation, land acquisition issues & obtaining environmental clearances.

To counter increased competition in domestic markets, MBE is increasingly focusing on International markets in Africa, Middle East Asia & South East Asia, where offices are being opened.

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. 4,707 Crores and we hope to continue our past growth trend this year also.

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.

Your Company is continuing with its 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, 2013 was 1,662 as against 1,505 on March 31, 2012.

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 project 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 the safeguard 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, the total income of the Company has increased to Rs. 2,190 Crores, the Profit before Tax stands at Rs.56 Crores and earning per share stands at Rs. 12.40. 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.

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.

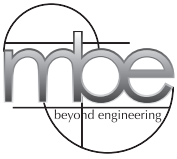
CAUTIONARY STATEMENT

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
FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES FOR THE F.Y 2012-13

Rupees in Lacs

| Sl. No. | Name of the Subsidiary Company | Capital | Reserves | Total Assets | Total Liabilities | Details of Investments | Turnover/ Total income (excluding Investments in subsidiaries) | Profit before taxation | Provision for Taxation | Profit after taxation | Proposed Dividend | Country |
|---------|--|----------|-----------|--------------|-------------------|------------------------|--|------------------------|------------------------|-----------------------|-------------------|--------------|
| 1 | MBE Mineral Technologies Pte Ltd (Formerly MBE Holdingd Pte Ltd) | 2,173.30 | (581.65) | 28,953.61 | 28,953.61 | 9,415.17 | 26,859.58 | (5,456.61) | 498.38 | (5,954.99) | — | Singapore |
| 2 | McNally Sayaji Engineering Ltd | 899.00 | 18,421.00 | 51,604.00 | 51,604.00 | — | 28,981.00 | 168.00 | (350.00) | 518.00 | — | India |
| 3 | McNally Bharat Infrastructure Ltd | 10.00 | (327.83) | 591.44 | 591.44 | — | 329.70 | (359.48) | (9.46) | (350.02) | — | India |
| 4 | McNally Bharat Equipments Ltd | 10.00 | (1.76) | 9.25 | 9.25 | — | — | (0.34) | — | (0.34) | — | India |
| 5 | MBE Coal & Minerals Technologies India Pvt. Ltd. (formerly Humbolt Wedag Minerals India Pvt. Ltd.) | 34.93 | 1,905.22 | 7,604.52 | 7,604.52 | — | 5,321.23 | 99.26 | 33.64 | 65.62 | — | India |
| 6 | MBE Minerals Zambia Ltd | 5.10 | (652.50) | 1,034.15 | 1,034.15 | — | 3,105.31 | (374.96) | (44.32) | (330.64) | — | Zambia |
| 7 | McNally Bharat Engineering (SA) Proprietary Ltd | 0.13 | — | — | — | — | 0.00 | — | — | — | — | South Africa |



ANNEXURE D 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 31st March, 2013 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 eleven members at the end of the financial year, consisting of eight Non-Executive Directors who account for 72 percent of the Board's strength as against minimum requirement of 50 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 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 31st March, 2013 |
|----------------------------|---------------------------------|-----------------------------------|---------|---|------------------|--|
| | | Public | Private | Is a member | Is a Chairperson | |
| Mr. Deepak Khaitan | Promoter – Executive Chairman | 8 | 1 | 2 | 0 | 0 |
| Mr. Aditya Khaitan | Promoter – Non Executive | 7 | 1 | 2 | 2 | 0 |
| Mr. Virendra Kumar Verma | Independent – Non Executive | 0 | 1 | 0 | 0 | 700 |
| Mr. Utsav Parekh | Independent – Non Executive | 6 | 0 | 4 | 0 | 100 |
| Mr. Amritanshu Khaitan | Promoter - Non Executive | 7 | 2 | 0 | 0 | 8000 |
| Mr. Subir Ranjan Dasgupta | Independent – Non Executive | 3 | 2 | 3 | 0 | 2500 |
| Mr. Asim Kumar Barman | Independent – Non Executive | 1 | 0 | 0 | 0 | 0 |
| Mr. Sudipto Sarkar | Independent – Non Executive | 8 | 2 | 0 | 1 | 0 |
| Mr. P H Ravikumar | Independent – Non Executive | 8 | 3 | 3 | 5 | 0 |
| Mr. Prasanta Kumar Chandra | Executive – Whole Time Director | 2 | 2 | 0 | 0 | 1000 |
| Mr. Prabir Ghosh | Executive – Whole Time Director | 2 | 0 | 0 | 0 | 1750 |

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

Except Mr. Aditya Khaitan and Mr. Amritanshu Khaitan, who are the brother and son of Mr. Deepak Khaitan, Executive Chairman of the Company, respectively, 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 (in Rs) |
|---------------------------|---|
| Mr. Aditya Khaitan | 60,000 |
| Mr. Virendra Kumar Verma | 2,00,000 |
| Mr. Utsav Parekh | 1,40,000 |
| Mr. Amritanshu Khaitan | 1,40,000 |
| Mr. Subir Ranjan Dasgupta | 3,20,000 |
| Mr. Asim Kumar Barman | 7,60,000 |
| Mr. Sudipto Sarkar | 1,00,000 |
| Mr. P H Ravikumar | 1,20,000 |
| TOTAL | 18,40,000 |

Details of remuneration paid/payable to the Executive Chairman & the Whole Time Directors :

(In Rs)

| Particulars | Mr. Deepak Khaitan (Executive Chairman) | Mr. Prasanta Kumar Chandra (Whole Time Director) | Mr. Prabir Ghosh (Whole Time Director) |
|---|--|---|---|
| Salary | 20,200,215 | 11,705,400 | 11,765,241 |
| Performance Bonus | – | 2,600,000 | 2,600,000 |
| Contributions to Provident Fund and other funds | 1,860,000 | 1,016,300 | 1,016,300 |
| Perquisites | 2,250,000 | – | 6,060 |
| Total remuneration | 24,310,215 | 15,321,700 | 15,387,601 |

Notes:

- None of the Non-executive Directors receive any remuneration apart from the sitting fees for meetings attended by them.
- The Executive Chairman and the Whole Time Directors 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 Executive Chairman or the Whole Time Directors do not provide for payment of severance fees.

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, 2012, 1st June, 2012, 10th August, 2012, 28th September, 2012, 9th November, 2012, 4th December, 2012 and 13th February, 2013.
- The attendance recorded for each of the Directors at the Board Meetings during the year ended on 31st March, 2013 and of the last Annual General Meeting is as under :

| Directors | Number of Board Meetings attended | Attendance at the Last AGM |
|----------------------------|-----------------------------------|----------------------------|
| Mr. Deepak Khaitan | 6 | No |
| Mr. Aditya Khaitan | 3 | Yes |
| Mr. Virendra Kumar Verma | 5 | No |
| Mr. Utsav Parekh | 4 | No |
| Mr. Amritanshu Khaitan | 7 | Yes |
| Mr. Subir Ranjan Dasgupta | 7 | Yes |
| Mr. Asim Kumar Barman | 7 | Yes |
| Mr. Sudipto Sarkar | 4 | No |
| Mr. P H Ravikumar | 5 | No |
| Mr. Prasanta Kumar Chandra | 5 | Yes |
| Mr. Prabir Ghosh | 6 | Yes |

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.

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:
 - a. 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.
 - b. 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.
 - c. 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.
 - d. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of internal control systems.
 - e. Reviewing, with the management, the quarterly financial results before submission to the Board for approval.
 - f. 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.
- g. 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. Virendra Kumar Verma, *Chairman*

Mr. Utsav Parekh

Mr. Subir Ranjan Dasgupta

All the members of the Audit Committee are Non-executive Independent Directors. The Committee has elected Mr. Virendra Kumar Verma as its Chairman. In the absence of Mr. Verma, Mr. S.R. Dasgupta Chairs the Meetings. 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, 2012, 1st June, 2012, 10th August, 2012, 9th November, 2012 and 13th February, 2013. The attendance of each Audit Committee member is as under:

| Name of the Audit Committee Member | Number of meetings attended |
|------------------------------------|-----------------------------|
| Mr. Virendra Kumar Verma | 5 |
| Mr. Utsav Parekh | 3 |
| Mr. Subir Ranjan Dasgupta | 5 |

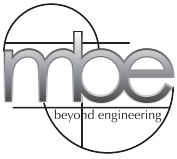
- (a) At the invitation of the Company, representatives from various divisions of the Company, internal auditors, statutory auditors, Whole Time Director & Group CFO and Company Secretary who is acting as Secretary to the Audit Committee also attend the Audit Committee Meetings to respond to queries 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 Executive Chairman 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 Executive Chairman and Whole Time Directors within the limits and subject to the parameters prescribed in Schedule XIII to the Companies Act, 1956.



Composition :

The Remuneration Committee consists of three Non-Executive Independent directors:

Mr. Subir Ranjan Dasgupta, *Chairman*

Mr. Utsav Parekh

Mr. Asim Kumar Barman

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 once during the year on 9th November, 2012 wherein the members present waived their sitting fees. The attendance of the members of the Remuneration Committee was as follows:

| Name of Remuneration Committee Member | Number of meetings attended |
|---------------------------------------|-----------------------------|
| Mr. Subir Ranjan Dasgupta | 1 |
| Mr. Utsav Parekh | – |
| Mr. Asim Kumar Barman | 1 |

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, and 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. Sudipto Sarkar, Chairman of the Committee

Mr. P H Ravikumar

Mr. Asim Kumar Barman

Mr. Prabir Ghosh

Mr. Prasanta Kumar Chandra

The Shareholders' / Investors' Grievance Committee of the Company met two times during the year on 14th May,2012 and 9th November, 2012. The attendance of the members of the Shareholders'/Investors' Grievance Committee was as follows:

| Shareholders'/Investors' Grievance Committee Member | Number of meetings attended |
|---|-----------------------------|
| Mr. Sudipto Sarkar | 1 |
| Mr. P H Ravikumar | 1 |
| Mr. Asim Kumar Barman | 2 |
| Mr. Prabir Ghosh | 2 |
| Mr. Prasanta Kumar Chandra | 2 |

All Investors complaints, which cannot be settled at the level of the Registrars - Maheshwari Datamatics Private Limited and the Company Secretary and 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 2012-13.

| Nature of complaints | Pending as on April 1, 2012 | Received during the year | Replied/ resolved during the year | Pending as on March 31, 2013 |
|-----------------------------------|-----------------------------|--------------------------|-----------------------------------|------------------------------|
| Non receipt of Dividend Warrants | 0 | 0 | 0 | 0 |
| Non receipt of Share certificates | 0 | 0 | 0 | 0 |
| Non receipt of Annual Reports | 0 | 1 | 1 | 0 |
| Total | 0 | 1 | 1 | 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 2013, and all requests for dematerialization and re-materialization of shares as on that dates were confirmed/rejected into the NSDL / CDSL system.

VII Other Board Committees

a. Committee of Directors

During the year, 38 Committee of Directors Meetings were held on 16th April, 2012, 30th April, 2012, 15th May, 2012, 31st May, 2012, 15th June, 2012, 29th June, 2012, 16th July, 2012, 31st July, 2012, 16th August, 2012, 31st August, 2012, 14th September, 2012, 28th September, 2012, 4th October, 2012, 11th October, 2012, 18th October, 2012, 25th October, 2012, 1st November, 2012, 9th November, 2012, 15th November, 2012, 22nd November, 2012, 29th November, 2012, 6th December, 2012, 13th December, 2012, 20th December, 2012, 27th December, 2012, 3rd January, 2013, 10th January, 2013, 17th January, 2013, 24th January, 2013, 31st January, 2013, 7th February, 2013, 14th February, 2013, 21st February, 2013, 28th February, 2013, 7th March, 2013, 14th March, 2013, 21st March, 2013 & 28th March, 2013.

The attendance recorded for each of the Directors at the Committee of Directors' Meetings during the year ended on 31st March, 2013 is as under:

| Directors | Number of Committee of Directors' Meetings attended |
|----------------------------|---|
| Mr. Deepak Khaitan | – |
| Mr. Subir Ranjan Dasgupta | 1 |
| Mr. Asim Kumar Barman | 27 |
| Mr. Prasanta Kumar Chandra | 31 |
| Mr. Prabir Ghosh | 30 |

b. Allotment Committee :

The Board has formed an Allotment Committee consisting of the following Directors:

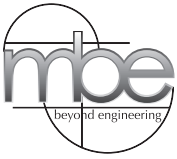
Mr. S. R. Dasgupta, *Chairman of the Committee*

Mr. Prabir Ghosh

Mr. Prasanta Kumar Chandra

The Allotment Committee of the Company met two times during the year on 6th March, 2013 and 30th March, 2013. The attendance of the members of the Allotment Committee was as follows:

| Allotment Committee Member | Number of meetings attended |
|----------------------------|-----------------------------|
| Mr. S.R. Dasgupta | 2 |
| Mr. Prabir Ghosh | 2 |
| Mr. Prasanta Kumar Chandra | 2 |



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. MBE Coal & Mineral Technology India Private Limited
- e. MBE Mineral Technologies Pte, Limited, Singapore
- f. MBE Minerals Zambia Limited
- g. McNally Bharat Engineering (SA) Proprietary Limited

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

- a. MBE Cologne Engineering GmbH
- b. MBE Coal & Minerals Technology GmbH
- c. EWB Kornyezetvedelmi Kft, Hungary

Associate of MBE Mineral Technologies Pte Limited:

- a. Hayward Tyler Group Plc

MBE Coal & Minerals Technology GmbH has the following subsidiaries:

- a. MBE Mineral Processing Technology (Beijing) Co. Ltd
- b. MBE Mineral Processing of Brazil Ltd
- c. PT MBE Coal and Minerals Technology Indonesia
- d. MBE Minerals SA (Pty) Limited
- e. OOO MBE OUM (Gesellschaft mit beschränkter Haftung, MBE Aufbereitung von Kohle)
- f. Coal & Mineral Technology Holding GmbH, Germany

The Company has its representations in the Board of the above subsidiaries.

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 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 |
|------|----------|------------|-----------|--|
| 47th | Thursday | 30.09.2010 | 11.00 a.m | Rotary Sadan 94/2, Chowringhee Road, Kolkata 700020 |
| 48th | Friday | 23.09.2011 | 03.00 p.m | Rotary Sadan 94/2, Chowringhee Road, Kolkata 700020 |
| 49th | Friday | 28.09.2012 | 11.00 a.m | Eastern Zonal Cultural Centre, Purbashree IB- 201, Sector-3, Salt Lake City, Kolkata 700106 |

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

No Special Resolution was adopted in the previous 3 AGMs.

The following Resolutions were passed by Postal Ballot during the past 3 financial years as per the procedures prescribed in The Companies (Passing of Resolution by Postal Ballot) Rules, 2001. The Results of Postal Ballot were as under :

| Particulars of Resolution | Resolution adopted on | No. of shares and % of Votes in Favour | No. of shares and % of Votes against |
|---|-----------------------|---|--|
| Increase in authorized share capital & alterations in Memorandum of Association of the Company | 19.01.2013 | 92, 56,654 99.97% of the valid votes casted | 2,424 0.03% of the valid votes casted |
| Alteration in Articles of Associations of the Company | 19.01.2013 | 92,57,711 99.98% of the valid votes casted | 2,009 0.02% of the valid votes casted |
| Issue of Non Convertible Redeemable Preference Shares of Rs. 100/- each of an aggregate nominal amount not exceeding Rs. 120 Crores | 19.01.2013 | 92,55,533 99.97% of the valid votes casted | 2,887 0.03% of the valid votes casted |
| 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 % of the valid votes casted | 10 0.01% of the valid votes casted |

c. Person who conducted the Postal Ballot exercise

Mr. Ajay Kumar Chandak, a Practicing Chartered Accountant, appointed as the scrutinizer conducted the Postal Ballot voting process, result of which was declared on 19th January, 2013.

Mr. Atul Kumar Labh, a Practicing Company Secretary, appointed as the scrutinizer conducted the Postal Ballot voting process, result of which was declared on 29th January, 2010.

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 resolutions by Postal Ballot.

Means of Communication

Quarterly results:

- | | |
|---|--|
| (i) Which newspapers normally published in | Business Standard, Kolkata & Mumbai 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. |

XIII General Shareholder Information

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

| | Seeking reappointment | Seeking reappointment | Seeking reappointment |
|---|--------------------------------|--------------------------------|--------------------------------|
| Name of Director | Mr. Amritanshu Khaitan | Mr. P. H. Ravikumar | Mr. Aditya Khaitan |
| Date of appointment | 23.09.2011 | 23.09.2011 | 23.09.2011 |
| 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 |
| List of other Directorship held | -do- | -do- | -do- |
| Chairman/Member of the Committees of the Board of Companies in which he is a Director | -do- | -do- | -do- |
| Shareholding in the Company in case of Non-executive Director | 8000 | Nil | Nil |

- b. **Annual General meeting to be held:**

Day, Date, time and venue:

Day : Friday
 Date : 27th September 2013
 Time : 11:00 AM
 Venue : Eastern Zonal Cultural Centre, Purbasree
 IB 201, Sector – 3, Salt Lake City, Kolkata – 700106

- c. **Financial Year** : 2013-2014
First Quarterly Results : On or before 14th August, 2013
Second Quarterly Results : On or Before 15th November, 2013
Third Quarterly Results : On or Before 15th February, 2014
Audited Yearly Results for the
Year ended 31 March, 2014 : On or Before 31st May, 2014

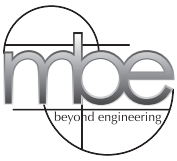
- d. **Period of Book Closure** : 20th-27th September, 2013

- e. **Dividend payment date :**

Dividend on Equity Shares when sanctioned will be made payable on or before 25th October, 2013 to those Shareholders in physical form whose names stand on the Company's Register of Members on 27th September, 2013 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 2013-2014.



Stock Codes:

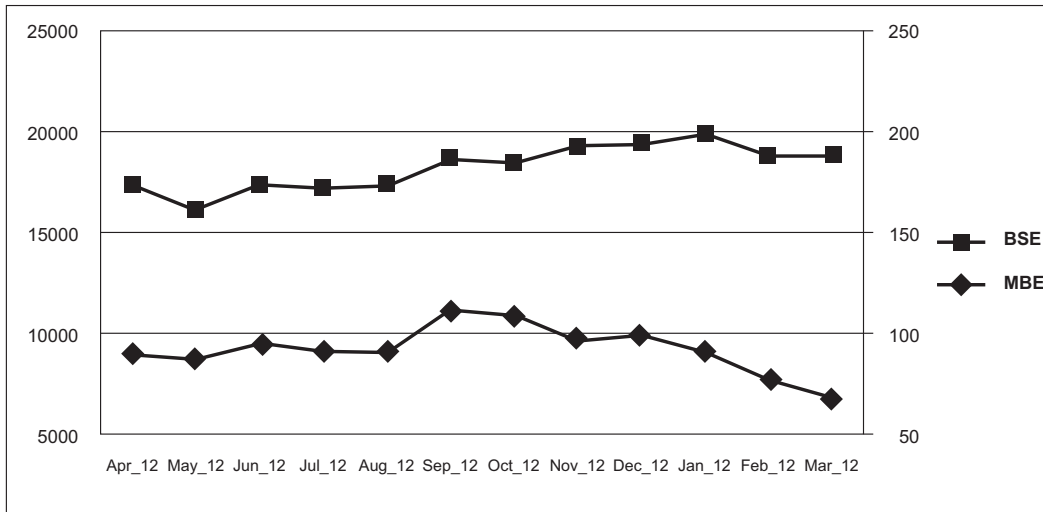
| | |
|---|---------------|
| Bombay Stock Exchange | 532629 |
| National Stock Exchange | MBECL |
| Reuters Code | MCNL.BO |
| Bloomberg Code | MCNA:IN |
| International Securities Identification Number (ISIN) for the Company's shares in dematerialized form | INE 748A01016 |

g. Market Price Data :

The details of the monthly highest and lowest closing quotations of the equity shares of the Company at the Bombay Stock Exchange and the National Stock Exchange during the financial year 2012-13 are as under:

| Month | Bombay Stock Exchange | | National Stock Exchange | |
|----------------|-----------------------|-----------|-------------------------|-----------|
| | High (Rs.) | Low (Rs.) | High (Rs.) | Low (Rs.) |
| April 2012 | 103.25 | 87.60 | 102.70 | 83.90 |
| May 2012 | 98.45 | 81.50 | 97.75 | 86.05 |
| June 2012 | 98.65 | 86.00 | 98.00 | 85.10 |
| July 2012 | 106.70 | 88.55 | 106.80 | 88.50 |
| August 2012 | 98.95 | 87.05 | 99.90 | 86.65 |
| September 2012 | 115.00 | 90.10 | 115.30 | 90.20 |
| October 2012 | 121.00 | 105.00 | 120.40 | 100.35 |
| November 2012 | 109.70 | 95.05 | 110.00 | 95.00 |
| December 2012 | 105.00 | 93.80 | 105.00 | 94.55 |
| January 2013 | 104.70 | 91.00 | 104.70 | 90.10 |
| February 2013 | 91.95 | 73.50 | 92.30 | 74.00 |
| March 2013 | 82.45 | 65.55 | 84.00 | 65.35 |

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:

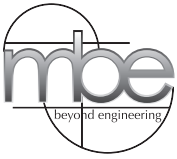
As already stated, the Company's shares are traded in the Stock Exchanges compulsorily in Demat mode. Therefore, Investors/Shareholders are requested to kindly note that physical documents, viz. Demat Request (DRF) and Share Certificates, etc. should be sent by their Depository Participants (DP's) directly to the Share Transfer Agents. Any delay on the part of the DP's to send the DRF and the Share Certificates beyond 7 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 15 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, 2013:

| No. of Shares | No. of holders | % of total holders | No. of shares | % of total shares |
|------------------|----------------|--------------------|---------------|-------------------|
| 1 to 5000 | 15195 | 87.383 | 19147400 | 6.1579 |
| 5001 to 10000 | 1083 | 6.228 | 8814800 | 2.8349 |
| 10001 to 20000 | 538 | 3.094 | 8247200 | 2.6524 |
| 20001 to 30000 | 164 | 0.943 | 4153290 | 1.3357 |
| 30001 to 40000 | 77 | 0.443 | 2764540 | 0.8891 |
| 40001 to 50000 | 78 | 0.448 | 3666090 | 1.1790 |
| 50001 to 100000 | 108 | 0.621 | 7647380 | 2.4595 |
| 100001 and above | 146 | 0.840 | 256497480 | 82.4915 |
| Total | 17389 | 100.00 | 3,10,93,818 | 100.0000 |

Pattern of Shareholding as on 31st March, 2013:

| Category | No. of Holders | No. of Shares |
|-----------------------------------|----------------|---------------|
| 1 Promoter & Promoter Group | | |
| – Individual/HUF (Indian) | – | – |
| – Bodies Corporate (Indian) | 8 | 1,00,37,743 |
| – Individual/HUF (Foreign) | – | – |
| – Bodies Corporate (Foreign) | – | – |
| 2 Mutual Funds | 7 | 35,38,617 |
| 3 Financial Institutions/Banks | 5 | 10,893 |
| 4 Insurance Companies | 7 | 8,86,870 |
| 5 Foreign Institutional Investors | 4 | 10,02,455 |
| 6 Domestic Companies | 608 | 63,65,573 |
| 7 Foreign Companies | – | – |
| 8 Resident Individual | 16,360 | 88,09,891 |
| 9 Non Resident Individual | 361 | 4,27,897 |
| 10 Clearing Member | 29 | 13,879 |
| Total | 17,389 | 3,10,93,818 |



Dematerialization of Shares:

As on 31st March 2013, 30652632 Shares of the Company's total shares representing 98.58% shares were held in dematerialized form and the balance 1.42% representing 441186 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 person : Mr. S. Chattopadhyay, VP Commercial & Company Secretary
Telephone Nos : 66281052 & 30141052
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 CEO & CFO under Clause 49 of the listing agreement regarding adherence to the Code of Conduct

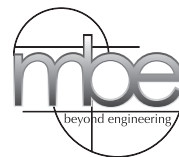
In accordance with Clause 49 sub-clause 1(D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that all the Directors and the Senior Management personnel of the Company have affirmed compliance to their respective Codes of Conduct, as applicable to them for the Financial Year ended March 31, 2013.

For McNally Bharat Engineering Company Limited

Prabir Ghosh
Whole Time Director & Group CFO

P K Chandra
Whole Time Director & COO

Kolkata, 1st April, 2013



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 March 31, 2013, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

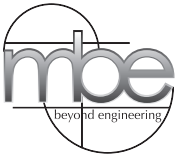
The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered 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, May 29, 2013

For Lovelock & Lewes
Firm Registration No. 301056E
Chartered Accountants
Prabal Kr. Sarkar
Partner
Membership No: 52340



INDEPENDENT AUDITORS' REPORT

To the Members of McNally Bharat Engineering Company Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of McNally Bharat Engineering Company Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of 'the Companies Act, 1956' of India (the "Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
 - (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), 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.
8. As required by section 227(3) of the Act, 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 purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, 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 as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

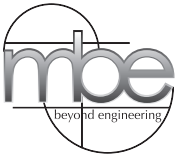
For Lovelock & Lewes
Firm Registration No. 301056E
Chartered Accountants
Prabal Kr. Sarkar
Partner
Membership No: 52340

Kolkata, May 29, 2013

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 7 of the Independent Auditors' Report of even date to the members of McNally Bharat Engineering Company Limited on the financial statements as of and for the year ended March 31, 2013.

- i. (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 have been noticed on such verification.
 - (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- ii. (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.
- iii. (a) The Company has granted unsecured loans, to two companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregated to Rs. 61,00,000. The Company has not granted any secured/ unsecured loans to firms or other parties covered in the register maintained under Section 301 of the Act.
 - (b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
 - (c) In respect of the aforesaid loans, the parties are repaying the principal amounts, as stipulated, and are also regular in payment of interest as applicable.
 - (d) In respect of the aforesaid loans, there is no overdue amount more than Rupees One Lakh.
 - (e) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii) (f) and (g) of the said Order are not applicable to the Company.
- iv. 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 and 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.
- v. According to the information and explanations given to us, there have been no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act.
- vi. 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.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of service tax, income tax, sales tax and excise duty, though there has been a slight delay in a few cases, and is regular in depositing



undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, wealth tax, customs duty and other material statutory dues, as applicable, with the appropriate authorities.

- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, wealth-tax and customs duty, which have not been deposited on account of any dispute. The particulars of dues of sales tax, service tax and excise duty as at March 31, 2013 which have not been deposited on account of a dispute, are mentioned in attached Appendix A.
- x. The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi. 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. The Company has not issued any debentures as at the balance sheet date.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.
- xiii. As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- xv. 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.
- xvi. In our opinion, and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii. 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. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.
- xix. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.
- xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.
- xxi. 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 material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

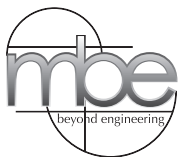
Kolkata, May 29, 2013

For Lovelock & Lewes
Firm Registration No. 301056E
Chartered Accountants
Prabal Kr. Sarkar
Partner
Membership No: 52340

APPENDIX A

[Referred to in paragraph ix(b) of the Auditor's Report on matters specified in paragraph 4 & 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 | Commissioner of Central Excise, Pondicherry |
| Finance Act, 1994 | Service Tax | 117,917,811.00 | 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 | Commissioner (Appeals), Central Excise, Kolkata |
| 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 | 3,387,227.00 | 2003-2004 | DCCT Chirkunda |
| APGST Act, 1957 | Sales Tax | 416,084.00 | 1994-1998 | Sales Tax Appellate Tribunal - Hyderabad |
| WBST Act, 1994 | Sales Tax | 390,375.00 | 2003-2004 | Deputy Commissioner, Commercial Taxes, Kolkata |
| Rajasthan Sales Tax Act, 1994 | Sales Tax | 132,840.00 | 2005-2006 | Deputy Commissioner (Appeals), Udaipur |
| UP Trade Tax Act, 1948 | Sales Tax | 130,111.00 | 2003-2004 | Deputy Commissioner (Appeals) |
| Central Sales Tax Act, 1956 | Central Sales Tax | 250,901.00 | 2005-2006 | Senior Joint Commissioner, Sales Tax |



Balance Sheet as at 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| Particulars | Note No | As at March 31, 2013 | As at March 31, 2012 |
|------------------------------------|---------|-------------------------|-------------------------|
| I EQUITY AND LIABILITIES | | | |
| 1 Shareholders' funds | | | |
| (a) Share capital | 3 | 3,934.38 | 3,109.38 |
| (b) Reserves and surplus | 4 | 36,125.28 | 29,745.40 |
| 2 Non-current liabilities | | | |
| (a) Long-term borrowings | 5 | 3,459.03 | 3,590.86 |
| (b) Deferred tax liabilities (Net) | 6 | 0.00 | 0.00 |
| (c) Other Long term liabilities | 7 | 649.73 | 33.48 |
| (d) Long-term provisions | 8 | 7,731.90 | 5,132.63 |
| 3 Current liabilities | | | |
| (a) Short-term borrowings | 9 | 61,066.85 | 34,502.17 |
| (b) Trade payables | 10 | 95,162.56 | 76,806.73 |
| (c) Other current liabilities | 11 | 56,423.67 | 62,633.83 |
| (d) Short-term provisions | 12 | 1,104.70 | 2,321.12 |
| TOTAL | | 265,658.10 | 217,875.60 |
| II ASSETS | | | |
| 1 Non-current assets | | | |
| (a) Fixed assets | | | |
| (i) Tangible assets | 13 | 12,845.49 | 11,424.36 |
| (ii) Intangible assets | 13 | 191.15 | 271.68 |
| (iii) Capital work-in-progress | | 889.00 | 10.80 |
| (b) Non-current investments | 14 | 19,283.74 | 17,428.82 |
| (c) Long-term loans and advances | 16 | 1,310.13 | 1,300.18 |
| (d) Other non-current assets | 17 | 64.27 | – |
| 2 Current assets | | | |
| (a) Current investments | 15 | 7.02 | 7.02 |
| (b) Inventories | 18 | 8,826.35 | 6,342.46 |
| (c) Trade receivables | 19 | 145,598.49 | 133,306.31 |
| (d) Cash and Bank Balances | 20 | 1,339.56 | 1,207.71 |
| (e) Short-term loans and advances | 21 | 28,072.18 | 25,227.32 |
| (f) Other current assets | 22 | 47,230.72 | 21,348.94 |
| TOTAL | | 265,658.10 | 217,875.60 |

The notes are an integral part of these financial statements.

This is the Balance Sheet referred to in our Report of even date.

For **Lovelock & Lewes**
Firm Registration Number 301056E
Chartered Accountants
Prabal Kr. Sarkar
Partner
Membership No. 52340
Kolkata, 29th May, 2013

Deepak Khaitan - Executive Chairman
Prasanta Kumar Chandra - Wholetime Director & COO
Prabir Ghosh - Wholetime Director & Group CFO
Sukanta Chattopadhyay - V.P. Commercial & Company Secretary

Statement of Profit and Loss for the Year Ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

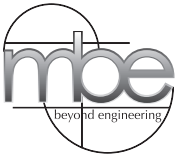
| Particulars | Note No | Year Ended March 31, 2013 | Year Ended March 31, 2012 |
|--|---------|------------------------------|------------------------------|
| I Revenue from Operation | 23 | 218,324.78 | 207,920.31 |
| II Other Income | 24 | 730.73 | 1,205.55 |
| III Total Revenue (I+II) | | 219,055.51 | 209,125.86 |
| Expenses: | | | |
| IV Cost of materials consumed | 25 | 112,440.19 | 106,310.48 |
| Outsourcing expenses to outsiders for job work | | 51,366.82 | 52,922.11 |
| Employee benefit expenses | 26 | 16,153.83 | 14,397.96 |
| Finance cost | 27 | 10,003.46 | 6,280.64 |
| Depreciation and amortization expenses | 13 | 1,357.71 | 1,053.13 |
| Other expenses | 28 | 22,071.41 | 20,307.68 |
| Total Expenses | | 213,393.42 | 201,272.00 |
| V Profit before tax (III - IV) | | 5,662.09 | 7,853.86 |
| VI Tax Expense : | | | |
| (1) Current Tax | | 1,799.28 | 2,456.09 |
| (2) Deferred Tax | | — | (1,166.83) |
| | | 1,799.28 | 1,289.26 |
| VII Profit for the period (V - VI) | | 3,862.81 | 6,564.60 |
| VIII Earnings Per Equity Share : | | | |
| [Nominal Value per share : Rs. 10 (2012:Rs. 10)] | | | |
| (1) Basic (Rs.) | | 12.40 | 21.11 |
| (2) Diluted (Rs.) | | 12.40 | 21.11 |

The notes are an integral part of these financial statements.

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

For **Lovelock & Lewes**
 Firm Registration Number 301056E
 Chartered Accountants
Prabal Kr. Sarkar
 Partner
 Membership No. 52340
 Kolkata, 29th May, 2013

Deepak Khaitan - Executive Chairman
Prasanta Kumar Chandra - Wholetime Director & COO
Prabir Ghosh - Wholetime Director & Group CFO
Sukanta Chattopadhyay - V.P. Commercial & Company Secretary



Notes to the Financial Statements for the year ended 31.03.2013

1 General Information

McNally Bharat Engineering Company Ltd (MBE) is a leading Engineering Turnkey Project Execution Company in India. The Company's shares are listed on National Stock Exchange and Bombay Stock Exchange.

2 Summary of significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 24 months for the purpose of current – non current classification of assets and liabilities.

2.2 Tangible Assets, Intangible Assets and Depreciation

- (a) Tangible Assets are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Cost includes inward freight, duties and taxes and expenses incidental to acquisition and installation of fixed assets. Own manufactured assets are capitalized at cost including an appropriate share of overheads.
- (b) Depreciation on assets is provided on a pro-rata basis on Straight Line Method at rates specified in Schedule XIV to the Companies Act, 1956 except for certain items of plant and machinery which are depreciated at rates between 7.07% and 25% as determined on the basis of their useful lives. These rates are higher than the rates prescribed under Schedule XIV of the Companies Act, 1956.
- (c) Profit and Loss on disposal of Fixed Assets is recognized in Statement of Profit and Loss.
- (d) Intangible Assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight line basis over their estimated useful lives. The amortization period and amortization method are reviewed at least at each financial year end. Computer software is amortised over a period of three years.

2.3 Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in Statement of Profit and Loss in the period in which they are incurred.

2.4 Impairments

Cash generating units/assets are assessed for possible impairment at Balance Sheet date based on external and internal sources of information. Impairment losses, if any are recognised as an expense in Statement of Profit and Loss.

2.5 Investments

Investments that are readily realizable and intended to be held for not more than a 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.

Notes to the Financial Statements for the year ended 31.03.2013

2.6 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.

2.7 Foreign currency translation

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 Statement of Profit and Loss. 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.

2.8 Derivative Contracts

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 Statement of Profit and Loss.

2.9 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.

2.10 Other Income

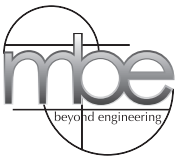
Interest : Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend : Dividend income is recognised when the right to receive dividend is established.

Income from duty drawback is recognised in the Statement of Profit and Loss on an accrual basis.

2.11 Employee Benefits

Short-term Employee Benefits are recognised in the period in which employee services are rendered. Contributions towards superannuation fund at rates specified in related approved scheme covering eligible employees are recognised as expense and funded. **Provident Fund**: Provident Fund contributions are made to a Trust administered by the Company. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of the year and any shortfall in the fund size maintained by the Trust set up by the Company is additionally provided for. Actuarial losses/ gains are recognised in the Statement of profit and loss in the year in which they arise. **Gratuity**: The Company provides gratuity, a defined benefit plan (the 'Gratuity Plan') covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on respective employee's salary and the tenure of employment. The Company's liability is provided and funded on the basis of year end Actuarial valuation (using the Projected Unit Credit method). Actuarial losses/gains are recognised in the



Notes to the Financial Statements for the year ended 31.03.2013

Statement of Profit and Loss in the year in which they arise. **Superannuation Fund:** The Company 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 Statement of Profit and Loss. The scheme, which is fully funded, is managed by Trustees and is independent of the Company's finance. **Compensated Absences:** The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlements as at the year end. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial loss/gains are recognised in the Statement of Profit and Loss in the year in which they arise. **Post Retirement medical benefit:** Accrued liability towards post employment medical benefits extended to certain categories of employees (Comprising of annual medical insurance premium to cover hospitalization) within a defined monetary limit are evaluated on the basis of actuarial valuation based on Projected Unit Credit (PCU) Method at the end of the year and is recognised as a charge in the accounts. **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 as per PCU method carried out as at the end of the year. **Employees' State Insurance Scheme:** Contribution to Central Government administered Employees' State Insurance Scheme for eligible employees is recognised as charge in Statement of Profit and Loss in the year in which they arise.

2.12 Current and Deferred Tax

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Deferred taxes reflect the impact of timing differences 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.

2.13 Provisions and Contingent Liabilities

Provisions : Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are not discounted to its present value. **Contingent Liabilities:** Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made, is termed as a contingent liability.

2.14 Leases

As a Lessee : Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease payments under operating leases are charged on a straightline basis in the Statement of Profit and Loss over the lease term.

2.15 Cash and Cash Equivalents

In the cash flow statement, cash and cash equivalents includes cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

2.16 Earning per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares, that have changed

Notes to the Financial Statements for the year ended 31.03.2013

the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

2.17 Government Grants

Grants of Capital nature and related to specific Fixed Assets are deducted from gross value of assets. Other grants of Capital nature are credited to Capital Reserve. Grant related to revenue are recognised in the Statement of Profit and Loss on a systematic basis to match them with related costs.

2.18 Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgements, estimates and assumptions that effect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in the future periods. Any revision to accounting estimates is recognised prospectively in the current and future periods.

| | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| 3 SHARE CAPITAL | | |
| Authorised : | | |
| 4,00,00,000 (March 31,2012 : 4,00,00,000) Equity Shares of Rs. 10/- each | 4,000.00 | 4,000.00 |
| 1,20,00,000 (March 31,2012 : NIL) 11.5% Non-Convertible Redeemable Preference Shares of Rs. 100/- each | 12,000.00 | - |
| | 16,000.00 | 4,000.00 |
| Issued, Subscribed & Paid up : | | |
| 3,10,93,818 (March 31,2012 : 3,10,93,818) Equity Shares of Rs. 10/- each fully paid up. | 3,109.38 | 3,109.38 |
| 8,25,000 (March 31,2012 : NIL) 11.50% Non-Convertible Redeemable Preference Shares of Rs. 100/- each fully paid up. | 825.00 | - |
| | 3,934.38 | 3,109.38 |

(a) Reconciliation of Number of Equity Shares :

There was no movement of equity share capital during the year.

(b) Reconciliation of Number of 11.50%

Non-Convertible Redeemable Preference Shares :

| | As at 31.03.2013 | | As at 31.03.2012 | |
|------------------------------|------------------|------------|------------------|------------|
| | No. of shares | Rs in Lacs | No of shares | Rs in lacs |
| At the beginning of the year | - | - | - | - |
| Add : Issued during the year | 825,000.00 | 825.00 | - | - |
| At the end of the year | 825,000.00 | 825.00 | - | - |

Notes to the Financial Statements for the year ended 31.03.2013

(c) Right and restrictions attached to shares :

Equity Shares : The company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

Preference Shares: During the year under review the company has issued cumulative, non convertible redeemable preference shares of Rs 100 each at a coupon rate of 11.50% p.a.

(d) Shares held by holding company and subsidiary of holding company : The company does not have a holding company.

(e) Details of shares held by shareholders holding more than 5% of the aggregate Equity shares in the Company.

| Sl. No. | Name of Equity Shareholders | As at March 31,2013 | | As at March 31,2012 | |
|---------|---------------------------------|---------------------|--------|---------------------|--------|
| | | No of Shares | % Held | No of Shares | % Held |
| 1 | Williamson Magor & Company Ltd. | 3,179,748 | 10.23% | 3,179,748 | 10.23% |
| 2 | Mcleod Russel India Ltd. | 3,052,295 | 9.82% | 3,052,295 | 9.82% |
| 3 | Kotak India Focus Fund | - | - | 1,680,755 | 5.41% |

(f) Details of shares held by shareholders holding more than 5% of the aggregate 11.50% Non Convertible Redeemable Preference shares in the Company

| Sl. No. | Name of Non-Convertible Redeemable Preference Shareholders | As at March 31,2013 | | As at March 31,2012 | |
|---------|--|---------------------|--------|---------------------|--------|
| | | No of Shares | % Held | No of Shares | % Held |
| 1 | Tata Capital Financial Services Limited | 625,000 | 75.76% | - | - |
| 2 | Brijesh Kumar Biyani | 100,000 | 12.12% | - | - |
| 3 | Vyana Advisory Private Limited | 100,000 | 12.12% | - | - |

4 RESERVES & SURPLUS

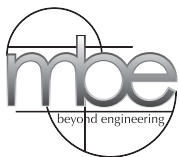
(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| Capital Redemption Reserve | 1.00 | 1.00 |
| Securities Premium Account | 8,460.30 | 8,460.30 |
| Securities Premium Account-Non-Convertible Preference Share | | |
| Balance at the beginning of the year | - | - |
| Add: Premium on Non-Convertible Preference Shares allotted during the year | 2,888.40 | - |
| Balance as at the end of the year | 2,888.40 | - |
| General Reserve | | |
| Balance at the beginning of the year | 1,590.65 | 1,425.65 |
| Add : Transferred from Surplus in Statement of Profit and Loss during the year | 96.57 | 165.00 |
| Balance as at the end of the year | 1,687.22 | 1,590.65 |

Notes to the Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| Surplus in Statement of Profit and Loss | | |
| Balance as at the beginning of the year | 19,693.45 | 13,634.70 |
| Profit for the year | 3,862.81 | 6,564.60 |
| | <u>23,556.26</u> | <u>20,199.30</u> |
| Less : Appropriations | | |
| Proposed Dividend on equity shares for the year | 310.94 | 310.94 |
| Dividend Distribution Tax on Proposed Dividend on Equity Shares | 52.84 | 29.91 |
| Proposed Dividend on preference shares for the year | 6.46 | – |
| Dividend Distribution Tax on Proposed Dividend on Preference Shares | 1.10 | – |
| Transfer to General Reserve | 96.57 | 165.00 |
| Balance at the end of the year | <u>23,088.36</u> | <u>19,693.45</u> |
| Total | <u>36,125.28</u> | <u>29,745.40</u> |
| 5 LONG TERM BORROWINGS [REFER NOTE NO 47] | | |
| Secured : | | |
| Term Loan | | |
| From Banks in Foreign Currency | 3,457.44 | 3,580.50 |
| From Others | 1.59 | 10.36 |
| | <u>3,459.03</u> | <u>3,590.86</u> |
| 6 DEFERRED TAX LIABILITIES (NET) | | |
| Liabilities : | | |
| Difference between written down value of block of assets as per Income tax laws and book written down value of the fixed assets. | 1,691.34 | 1,603.68 |
| Assets : | | |
| Items allowable for tax purposes on payment | (266.29) | (289.40) |
| Business losses | (1,333.01) | (1,264.77) |
| Others | (92.04) | (49.51) |
| | <u>0.00</u> | <u>0.00</u> |
| (a) Deferred Tax Assets and Deferred Tax Liabilities have been offset as they relate to the same governing taxation laws | | |
| (b) During the year the company has recognised deferred tax assets on business losses to the extent of deferred tax liability | | |
| 7 OTHER LONG TERM LIABILITIES | | |
| Advance from Customers | 600.00 | – |
| Others | 49.73 | 33.48 |
| | <u>649.73</u> | <u>33.48</u> |



Notes to the Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|---|-------------------------|-------------------------|
| 8 LONG-TERM PROVISIONS | | |
| Provision for Employee Benefits [Refer Note no 48] | | |
| Provision for Gratuity | 122.50 | – |
| Provision for Privileged Leave Encashment | 647.69 | 605.48 |
| Provision for Other Employee Benefits | 327.80 | 317.84 |
| | <u>1,097.99</u> | <u>923.32</u> |
| Other Provisions : | | |
| Provision for Lease Rent | 492.36 | 356.12 |
| Provision for Tax [Refer Note no 49] | 6,141.55 | 3,853.19 |
| | <u>7,731.90</u> | <u>5,132.63</u> |
| 9 SHORT-TERM BORROWINGS | | |
| Secured : | | |
| Term Loan from Banks | | |
| Indian Rupee Loan | 9,234.24 | 1,500.00 |
| Foreign Currency Loan | 3,196.22 | – |
| Working Capital Loan | | |
| Cash Credit from Banks | 25,237.48 | 24,714.17 |
| Working Capital Demand Loan from Banks | 6,700.00 | 8,288.00 |
| Packing Credit in Foreign Currency | 5,488.00 | – |
| Commercial Paper | 2,500.00 | – |
| Unsecured : | | |
| Cash Credit from Banks | 4,172.19 | – |
| Packing Credit in Foreign Currency | 4,538.72 | – |
| | <u>61,066.85</u> | <u>34,502.17</u> |
| Details of Security Provided : | | |
| Consortium of Banks : A first pari passu charge by way of hypothecation of the current assets viz., stocks of raw materials, semi-finished goods, finished goods, stores and spares, bills receivables including receivables from hire purchase/leasing, book debts and other movable assets, both present and future. | 44,855.94 | 34,502.17 |
| A first pari passu charge in favour of the said Banks by way of third party charge on the movable and fixed assets of the Kumardhubi Division owned by McNally Sayaji Engineering Company Limited, a company incorporated under the Companies Act, 1956, and having its registered office at 4, Mangoe Lane, 7th floor, Kolkata 700001. | | |
| A corporate guarantee from McNally Sayaji Engineering Company Limited in favour of the BOI Consortium equivalent to the value of the property to be mortgaged by McNally Sayaji Engineering Company Limited. | | |
| HDFC Bank Ltd: Hypothecation of current assets of the company by way of Subservient charge | 5,000.00 | – |
| Karur Vysya Bank Ltd: Pari passu Hypothecation charge on retention money of RINL project, SAIL ISCO Steel Plant, Burnpur and BHEL projects amounting to Rs 184.00 crores along with other lenders | 2,500.00 | – |
| | <u>52,355.94</u> | <u>34,502.17</u> |

Notes to the Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| 10 TRADE PAYABLES | | |
| Acceptances | 9,084.72 | 6,451.24 |
| Trade Creditors [Refer Note no 30] | 86,077.84 | 70,355.49 |
| | 95,162.56 | 76,806.73 |
| 11 OTHER CURRENT LIABILITIES | | |
| Current Maturities of Long Term Debt [Refer Note 47] | 3,193.68 | 5,498.58 |
| Interest Accrued but not due on borrowings | 177.56 | 120.78 |
| Unpaid Dividends [Refer note (a) below] | 19.78 | 18.79 |
| Advances from Customers | 39,416.63 | 26,394.22 |
| Employee Benefits payable | 1,297.42 | 1,065.94 |
| Security Deposits | 36.42 | 41.42 |
| Due to Customers [Refer Note (b) below] | 9,038.43 | 24,333.84 |
| Creditors for Purchase of Fixed Assets | 1,208.24 | 784.80 |
| Book Overdraft in Current Account with Banks | 179.57 | - |
| Others Payable | 1,855.94 | 4,375.46 |
| | 56,423.67 | 62,633.83 |
| (a) There is no amount due for payment to the Investor Education and Protection Fund under section 205C of the Companies Act, 1956 as at the year end. | | |
| (b) Excess of Actual billing over cost incurred and profit /loss recognised. | | |
| 12 SHORT-TERM PROVISIONS | | |
| Provision for Employee Benefits : [Refer Note no 48] | | |
| Provision for Gratuity | 24.78 | 245.80 |
| Provision for Privileged Leave Encashment | 25.78 | 40.68 |
| Provision for Other Employee Benefits | 31.51 | 34.93 |
| | 82.07 | 321.41 |
| Other Provisions : | | |
| Provision for Tax [Refer Note no 49] | 651.29 | 1,658.86 |
| Provision for Proposed Dividend on equity shares | 310.94 | 310.94 |
| Provision for Corporate Dividend Tax on Equity Shares | 52.84 | 29.91 |
| Provision for Proposed Dividend on preference shares | 6.46 | - |
| Provision for Corporate Dividend Tax on Preference Shares | 1.10 | - |
| | 1,104.70 | 2,321.12 |

Notes to the Financial Statements for the year ended 31.03.2013

13 FIXED ASSETS

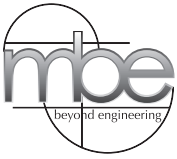
(All figures in Rs. Lacs, unless otherwise stated)

| Particulars | GROSS BLOCK | | | DEPRECIATION/ AMORTISATION | | | | NET BLOCK | |
|--|---------------|----------|----------|----------------------------|---------------|--------------|----------|----------------|----------------|
| | April 1, 2012 | Addition | Disposal | March 31, 2013 | April 1, 2012 | For the year | Disposal | March 31, 2013 | March 31, 2012 |
| Tangible Assets : | | | | | | | | | |
| Plant & Equipment | 11,886.92 | 2,541.39 | - | 14,428.31 | 2,040.71 | 1,102.17 | - | 3,142.88 | 9,846.21 |
| Furniture & Fixtures | 932.87 | 49.35 | - | 982.22 | 165.17 | 60.49 | - | 225.66 | 767.70 |
| Vehicles | 149.92 | 7.83 | - | 157.75 | 22.86 | 15.30 | - | 38.16 | 127.06 |
| Office Equipment | 475.55 | 14.22 | - | 489.77 | 55.16 | 23.36 | - | 78.52 | 420.39 |
| Refrigerators & Air Conditioners | 250.79 | 18.36 | - | 269.15 | 35.21 | 12.47 | - | 47.68 | 215.58 |
| Telephone Plant | 53.68 | 6.49 | - | 60.17 | 6.26 | 2.72 | - | 8.98 | 47.42 |
| (A) | 13,749.73 | 2,637.64 | - | 16,387.37 | 2,325.37 | 1,216.51 | - | 3,541.88 | 11,424.36 |
| Intangible Assets : | | | | | | | | | |
| Computer Software (Other than internally generated) | 1,115.96 | 60.67 | - | 1,176.63 | 844.28 | 141.20 | - | 985.48 | 271.68 |
| (B) | 1,115.96 | 60.67 | - | 1,176.63 | 844.28 | 141.20 | - | 985.48 | 271.68 |
| Total | 14,865.69 | 2,698.31 | - | 17,564.00 | 3,169.65 | 1,357.71 | - | 4,527.36 | 11,696.04 |
| March 31, 2012 | 12,570.85 | 2,336.26 | 41.42 | 14,865.69 | 2,124.12 | 1,053.13 | 7.60 | 3,169.65 | 11,696.04 |

Notes to the Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|---|-------------------------|-------------------------|
| 14 NON-CURRENT INVESTMENTS | | |
| Trade Investments (Valued at Cost) | | |
| (a) Quoted Equity Instruments | | |
| Investment in Subsidiaries | | |
| 67,29,698 (March 31, 2012 - 63,29,698) Equity Shares of Rs. 10 each fully paid up in McNally Sayaji Engineering Limited (Out of which non disposal undertakings have been issued for 5661590 shares in favour of financial institutions.) | 15,343.11 | 14,556.71 |
| (b) Unquoted Equity Instruments | | |
| Investment in Subsidiaries | | |
| 5,25,462 (March 31, 2012 - 2,80,548) Equity shares in MBE Mineral Technologies Pte Ltd (Formerly MBE Holdings Pte Ltd) of 10 Singapore Dollar each fully paid. | 2,001.59 | 930.70 |
| 99,400 (March 31, 2012 - 99,400) Equity Shares of Rs. 10 each fully paid in McNally Bharat Equipments Limited | 9.94 | 9.94 |
| 99,400 (March 31, 2012 - 99,400) Equity Shares of Rs. 10 each fully paid in McNally Bharat Infrastructure Limited | 9.94 | 9.94 |
| 4,99,99,996 (March 31, 2012 - 4,99,99,996) Equity Shares in MBE Minerals Zambia Ltd. of ZMK 1 each fully paid | 4.69 | 4.69 |
| 3,49,322 (March 31, 2012 - 3,49,322) Equity Shares in MBE Coal & Mineral Technology India Pvt. Ltd. of Rs 10 each fully paid | 1,909.78 | 1,909.78 |
| 100 (March 31, 2012 - NIL) Equity Shares in McNally Bharat Engineering (SA) Proprietary Ltd. of ZAR 20.37 each fully paid | 0.13 | - |
| (c) Unquoted Equity Instruments | | |
| NIL (March 31, 2012 - 24,970) Equity Shares of Rs. 10 each fully paid in Jayamkondam Lignite Power Corporation Limited | - | 2.50 |
| Other Than Trade Investments (Valued at cost unless otherwise stated) | | |
| (a) Quoted Equity Instruments | | |
| 10,960 (March 31, 2012 - 10,960) Equity Shares of Rs. 5 each fully paid up in Eveready Industries India Ltd. | 2.28 | 2.28 |
| 10,960 (March 31, 2012 - 10,960) Equity Shares of Rs. 5 each fully paid up in Mcleod Russel India Ltd. | 2.28 | 2.28 |
| | 19,283.74 | 17,428.82 |
| Aggregate amount of quoted Investments | 15,347.67 | 14,561.28 |
| Market value of quoted investments | 13,230.59 | 11,797.66 |
| Aggregate amount of unquoted Investments | 3,936.07 | 2,867.54 |
| Aggregate provision for diminution in value of investments | - | - |



Notes to the Financial Statements for the year ended 31.03.2013

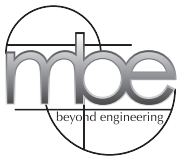
(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| 15 CURRENT INVESTMENTS | | |
| (a) Mutual Funds (Unquoted) : | | |
| Investment in 383.925 (March 31, 2012 - 383.925 Units) of IDFC Liquid Fund-Growth (Valued at cost) | 7.02 | 7.02 |
| | <u>7.02</u> | <u>7.02</u> |
| Aggregate amount of unquoted Investments | 7.02 | 7.02 |
| 16 LONG-TERM LOANS AND ADVANCES | | |
| Unsecured Considered Good (Unless otherwise stated) : | | |
| Capital Advances | 75.58 | 33.85 |
| Security Deposits | 120.08 | 120.08 |
| Other Loans and Advances | | |
| Balances with Government Authorities | 0.46 | 0.46 |
| Others | 1,114.01 | 1,145.79 |
| | <u>1,310.13</u> | <u>1,300.18</u> |
| 17 OTHER NON-CURRENT ASSETS | | |
| Long term deposit with Banks : | | |
| Margin Money Deposit | 64.27 | - |
| | <u>64.27</u> | <u>-</u> |
| 18 INVENTORIES | | |
| Raw Materials | 8,826.10 | 6,342.21 |
| Loose Tools | 0.25 | 0.25 |
| | <u>8,826.35</u> | <u>6,342.46</u> |
| 19 TRADE RECEIVABLES | | |
| Unsecured - Considered Good | | |
| Outstanding for a period exceeding six months from the date they are due for payment [Refer note (a)] | 21,610.19 | 16,942.88 |
| Other Debts | 123,988.30 | 116,363.43 |
| | 145,598.49 | 133,306.31 |
| Less : Provision for doubtful debts | - | - |
| | <u>145,598.49</u> | <u>133,306.31</u> |
| (a) Trade receivable includes receivable from subsidiary companies by Rs. 367.75 Lacs (March 31,2012 : Rs. 619.56 Lacs) | | |

Notes to the Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|---|-------------------------|-------------------------|
| 20 CASH AND BANK BALANCES | | |
| Cash & Cash Equivalents | | |
| Cash on Hand | 86.63 | 72.56 |
| Cheques on Hand | – | 25.66 |
| Remittance in Transit | 0.40 | – |
| Bank Balances | | |
| Bank Balances in Current Account | 1,214.44 | 1,013.10 |
| Demand Deposits (Less than 3 months maturity) | – | 33.88 |
| Other Bank Balances | | |
| Long term deposits with maturity more than 3 months but less than 12 months | 1.46 | 9.77 |
| Margin Money Deposit | 16.07 | 33.33 |
| Unpaid Dividend Account | 20.56 | 19.41 |
| | 1,339.56 | 1,207.71 |
| 21 SHORT-TERM LOANS AND ADVANCES | | |
| (Unsecured considered good) | | |
| Loans & Advance to Subsidiaries | 5,703.22 | 4,673.18 |
| Other Loans & Advances | | |
| Income Tax Refund Receivable | 726.42 | 1,893.27 |
| Balance with Statutory / Govt Authorities | 6,348.61 | 5,192.21 |
| Security Deposits | 216.36 | 175.37 |
| Prepaid Expenses | 281.15 | 100.28 |
| Advance to Supplier & Others | 14,747.50 | 13,132.68 |
| Employee Advance | 48.92 | 60.33 |
| | 28,072.18 | 25,227.32 |
| 22 OTHER CURRENT ASSETS | | |
| Unsecured Considered good : | | |
| Due from Customers [Refer note (a)] | 47,058.32 | 21,194.66 |
| Unamortised Expenses : | | |
| Current portion of Foreign Currency Monetary item translation difference account | 172.40 | 154.28 |
| | 47,230.72 | 21,348.94 |
| (a) Excess of cost incurred and profit/loss recognised as per AS 7 over actual sales billing. | | |



Notes to the Financial Statements for the year ended 31.03.2013

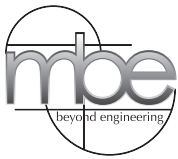
(All figures in Rs. Lacs, unless otherwise stated)

| | Year Ended March 31, 2013 | Year Ended March 31, 2012 |
|---|------------------------------|------------------------------|
| 23 REVENUE FROM OPERATION | | |
| Sale of Equipments & Contract Revenue | 217,008.58 | 207,393.60 |
| Other Operating Revenue : | | |
| Duty Drawback | 26.13 | 43.76 |
| Sale of Scrap | 1,290.07 | 482.95 |
| | 218,324.78 | 207,920.31 |
| 24 OTHER INCOME | | |
| Interest Income | 347.33 | 251.51 |
| Dividend Income | | |
| From Long Term Investments Other than trade | 0.66 | 0.60 |
| From Subsidiaries | – | 126.59 |
| Net Gain on sale of Investment | | |
| Long term Trade investment | – | 58.44 |
| Current Investment | – | 2.02 |
| Foreign Currency Translation Gain [Refer note (a)] | – | 482.22 |
| Service Charges (Gross) | – | 196.47 |
| Miscellaneous Income | 382.74 | 87.70 |
| | 730.73 | 1,205.55 |
| | – | 207.88 |
| (a) Foreign currency translation gain includes loss on foreign currency transaction and translation (other than considered in finance cost) | – | 207.88 |
| 25 COST OF MATERIALS CONSUMED | | |
| Raw Material Consumed | | |
| Opening Inventory | 6,342.22 | 1,399.38 |
| Add : Purchases | 32,892.69 | 31,615.65 |
| Less : Inventory at the end of the year | 8,826.10 | 6,342.21 |
| Cost of Raw Materials consumed during the year | 30,408.81 | 26,672.82 |
| Consumption of bought out Components and related Spares | 82,031.38 | 79,637.66 |
| | 112,440.19 | 106,310.48 |
| 26 EMPLOYEE BENEFIT EXPENSES [REFER NOTE NO 46] | | |
| Salaries, Wages & Bonus | 14,181.08 | 12,654.77 |
| Contribution to Provident Fund | 473.88 | 407.02 |
| Contribution to Super Annuation Fund | 16.79 | 18.55 |
| Contribution to Gratuity Fund | 37.48 | 139.56 |
| Workmen and Staff Welfare Expenses | 1,444.60 | 1,178.06 |
| | 16,153.83 | 14,397.96 |

Notes to the Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | Year Ended March 31, 2013 | Year Ended March 31, 2012 |
|--|------------------------------|------------------------------|
| 27 FINANCE COST | | |
| Interest Expense | 9,241.07 | 5,864.81 |
| Other Borrowing Costs | 525.22 | 120.28 |
| Net Loss on foreign currency transactions and translation | 237.17 | 295.55 |
| | 10,003.46 | 6,280.64 |
| 28 OTHER EXPENSES | | |
| Consumption of Stores & Spare Parts | – | 0.02 |
| Power & Fuel | 1,324.09 | 1,198.24 |
| Rent | 1,417.22 | 1,229.61 |
| Repairs to Buildings | 5.41 | 17.63 |
| Repairs to Machinery | 53.37 | 85.16 |
| Insurance | 503.12 | 471.41 |
| Payment to Auditors : | | |
| As Auditors : | | |
| Audit Fees | 28.00 | 28.00 |
| Other Fees | 32.39 | 24.94 |
| For Other Services | – | – |
| For reimbursement of expenses | 0.35 | 0.28 |
| Director Fees | 18.40 | 17.20 |
| Rates & Taxes | 474.04 | 437.42 |
| Cartage & Freight | 5,408.50 | 5,847.46 |
| Bank Charges | 2,358.71 | 2,303.75 |
| Professional Services | 4,051.06 | 3,254.81 |
| Travelling | 2,835.26 | 2,600.83 |
| Net Loss on foreign currency transactions and translation (other than considered in finance cost) | 187.32 | – |
| Provision for Mark to Market Loss on Derivatives | 307.44 | – |
| Bad Debts Written Off | 106.93 | – |
| Miscellaneous Expenses | 2,959.81 | 2,790.92 |
| | 22,071.41 | 20,307.68 |



Notes to the Financial Statements for the year ended 31.03.2013

- 29 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.
- 30 There are no dues payable to Micro enterprises and Small enterprises on the basis of information available with the company regarding Micro and Small Enterprises under Micro, Small and Medium Enterprises Development Act, 2006.
- 31 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 unilaterally 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 encumbrance free land for widening of road and non-availability of construction drawings on time by PWD. The company has a legitimate claim of Rs. 1517 lacs towards receivable (included in Note No.19) and Rs.1133 lacs on account of deposit against Performance Guarantee (included in Note No.21). Elsamex S.A. moved to arbitration and had claimed an amount of Rs.7334 lacs 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 award in favour of Elsamex S A. Under the award, a total amount of Rs.3535 lacs 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.

(All figures in Rs. Lacs, unless otherwise stated)

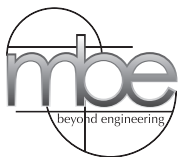
| | As at March 31, 2013 | As at March 31, 2012 |
|---|----------------------------------|----------------------------------|
| 32 CONTINGENT LIABILITIES | | |
| (a) Claims against the company not acknowledged as debt | 100 | 100 |
| (b) Other money for which the Company is contingently liable: | | |
| (i) Excise Duty matters pending in appeal related to issues of applicability and classification | 130 | 130 |
| (ii) Sales Tax/VAT matters pending in appeal relating to disputes regarding assessable value and exemptions claimed | 922 | 944 |
| (iii) Service Tax Matters pending in appeal relating to issues of applicability | 21 | 72 |
| (iv) Corporate guarantees given in favour of Subsidiary Companies | 32,912 | 29,070 |
| (v) Other guarantees given | 3,200 | 3,200 |
| (vi) Standby letter of credit | 1,670 | 4,860 |
| (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.

Notes to the Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|--|------------------------------|------------------------------|
| 33 CAPITAL COMMITMENTS | | |
| Estimated value of contracts in capital account remaining to be executed | 189.90 | 556.80 |
| 34 PROPOSED DIVIDEND | | |
| On Equity Shares of Rs. 10 each | | |
| Amount of Dividend Proposed | 310.94 | 310.94 |
| Dividend on per Equity Share | Re. 1 per share | Rs. 1 per share |
| On Preference Shares of Rs. 100 each | | |
| Amount of Dividend Proposed | 6.46 | – |
| Dividend on per Preference Share | 11.50% | – |
| There are no arrears of dividends relating to preference shares | | |
| | Year Ended March 31, 2013 | Year Ended March 31, 2012 |
| 35 CIF VALUE OF IMPORTS | | |
| Components, Spare Parts and Stores | 6,431.42 | 6,030.68 |
| Capital Goods | – | 6.66 |
| | 6,431.42 | 6,037.34 |
| 36 EXPENDITURE IN FOREIGN CURRENCY | | |
| Travelling | 161.91 | 244.73 |
| Professional and consultation fees | 2,219.25 | 548.34 |
| Others | 2,855.58 | 80.49 |
| | 5,236.74 | 873.56 |
| 37 VALUE OF IMPORTED AND INDIGENOUS MATERIALS CONSUMED | | |
| Raw Materials (Value) | | |
| Imported | – | – |
| Indigenous | 30,408.81 | 26,672.82 |
| | 30,408.81 | 26,672.82 |
| Raw Materials (%) | | |
| Imported | 0.00% | 0.00% |
| Indigenous | 100.00% | 100.00% |
| | 100.00% | 100.00% |
| Components and related spares (Value) | | |
| Imported | 6,431.42 | 6,030.18 |
| Indigenous | 75,599.96 | 73,607.48 |
| | 82,031.38 | 79,637.66 |
| Components and related spares (%) | | |
| Imported | 7.84% | 7.57% |
| Indigenous | 92.16% | 92.43% |
| | 100.00% | 100.00% |
| Stores and Spare Parts (Value) | | |
| Imported | – | – |
| Indigenous | – | 0.02 |
| | – | 0.02 |
| Stores and Spare Parts (%) | | |
| Imported | 0.00% | 0.00% |
| Indigenous | 0.00% | 100.00% |
| | 0.00% | 100.00% |



Notes to the Financial Statements for the year ended 31.03.2013

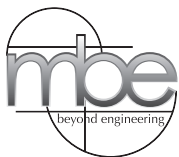
(All figures in Rs. Lacs, unless otherwise stated)

| | Year Ended March 31, 2013 | Year Ended March 31, 2012 |
|--|------------------------------|------------------------------|
| 38 DETAILS OF RAW MATERIALS CONSUMED | | |
| Steel | 26,493.23 | 22,298.74 |
| Cement and Others | 3,915.58 | 4,374.08 |
| | 30,408.81 | 26,672.82 |
| | As at March 31, 2013 | As at March 31, 2012 |
| 39 DIVIDEND REMITTED IN FOREIGN CURRENCY | | |
| Dividend paid during the year | 1.89 | 3.79 |
| Number of non-resident shareholders | 1 | 1 |
| Number of equity shares held by such non-resident shareholders | 189,451 | 189,451 |
| Year to which the dividends relate | 2011-12 | 2010-11 |
| 40 EARNINGS IN FOREIGN CURRENCY | | |
| Sale of Contracts | 1,539.27 | 9,280.39 |
| | 1,539.27 | 9,280.39 |
| 41 EARNINGS PER SHARE | | |
| Number of Equity Shares at the beginning of the year. | 31,093,818 | 31,093,818 |
| Number of Equity Shares at the 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 | 3,862.81 | 6,564.60 |
| Less: Dividend on Preference Shares | 7.56 | - |
| Adjusted net profit for the year | 3,855.25 | 6,564.60 |
| Face Value of Each Equity Share (Rs.) | 10.00 | 10.00 |
| Earnings Per Share - Basic (Rs.) | 12.40 | 21.11 |
| Earnings Per Share - Diluted (Rs.) | 12.40 | 21.11 |

Notes to the Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|---|-------------------------|-------------------------|
| 42 OTHER DISCLOSURE | | |
| Investments | | |
| The following table includes the classification of investments in accordance with AS 13: | | |
| Accounting for Investments | | |
| Current Investments | | |
| Investment in 383.925 (March 31, 2012 - 383.925 Units) of IDFC Liquid Fund-Growth (Valued at cost) | 7.02 | 7.02 |
| Total Current Investments | <u>7.02</u> | <u>7.02</u> |
| Long Term Investments | | |
| 67,29,698 (March 31, 2012 - 63,29,698) Equity Shares of Rs. 10 each fully paid up in McNally Sayaji Engineering Limited * (Out of which non disposal undertakings have been issued for 5661590 shares in favour of financial institutions). | 15,343.11 | 14,556.71 |
| NIL (March 31, 2011 - 99%) Shares fully paid up in EWB-MBE International Kornyezelvedelmi Kft. Hungary | - | - |
| 5,25,462 (March 31, 2012 - 2,80,548) Equity shares in MBE Mineral Technologies Pte Ltd (Formerly MBE holding Pte Ltd) of 10 Singapore Dollar each fully paid. | 2,001.59 | 930.70 |
| 99,400 (March 31, 2012 - 99,400) Equity Shares of Rs. 10 each fully paid in McNally Bharat Equipments Limited | 9.94 | 9.94 |
| 99,400 (March 31, 2012 - 99,400) Equity Shares of Rs. 10 each fully paid in McNally Bharat Infrastructure Limited | 9.94 | 9.94 |
| 4,99,99,996 (March 31, 2012 - 4,99,99,996) Equity Shares in MBE Minerals Zambia Ltd. of ZMK 1 each fully paid | 4.69 | 4.69 |
| 3,49,322 (March 31, 2012 - 3,49,322) Equity Shares in MBE Coal & Mineral Technology India Pvt. Ltd. of Rs 10 each fully paid | 1,909.78 | 1,909.78 |
| 100 (March 31, 2012 - NIL) Equity Shares in McNally Bharat Engineering (SA) Proprietary Ltd. of ZAR 20.37 each fully paid | 0.13 | - |
| 10,960 (March 31, 2012 - 10,960) Equity Shares of Rs. 5 each fully paid up in Eveready Industries India Ltd. | 2.28 | 2.28 |
| 10,960 (March 31, 2012 - 10,960) Equity Shares of Rs. 5 each fully paid up in Mcleod Russel India Ltd. | 2.28 | 2.28 |
| NIL (March 31, 2012 - 24,970) Equity Shares of Rs. 10 each fully paid in Jayamkondam Lignite Power Corporation Limited | - | 2.50 |
| Total Long Term Investments | <u>19,283.74</u> | <u>17,428.82</u> |
| Total Investments (Current and Long Term) | <u>19,290.76</u> | <u>17,435.84</u> |
| Disclosure under : | | |
| Non Current Investments (Refer note 14) | 19,283.74 | 17,428.82 |
| Current Investments (Refer note 15) | 7.02 | 7.02 |
| Total | <u>19,290.76</u> | <u>17,435.84</u> |



Notes to the Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|---|-------------------------|-------------------------|
| 43 INFORMATION IN ACCORDANCE WITH AS-7 CONSTRUCTION CONTRACTS, IN RESPECT OF CONTRACTS IN PROGRESS AS AT YEAR END DATE | | |
| Contract costs incurred | 826,920.12 | 623,744.13 |
| Add: Recognised profits net of recognised losses | 60,013.13 | 52,400.52 |
| Contract Revenues | 886,933.25 | 676,144.65 |
| Progress billing | 848,913.34 | 679,283.82 |
| Unbilled revenue (Net) | 38,019.91 | (3,139.17) |
| Due from customers | 47,058.32 | 21,194.66 |
| Due to customers | (9,038.41) | 24,333.84 |
| Advance payments received | 39,854.99 | 26,232.57 |
| Amount of retentions | 74,812.45 | 70,202.65 |

44 RELATED PARTY DISCLOSURES

Related party disclosures as required by Accounting Standard 18 on Related Party Disclosures are given below:

Relationships

(a) Subsidiaries of the Company :

- (i) MBE Coal & Minerals Technologies India Pvt. Ltd. (formerly Humbolt Wedag Minerals India Pvt. Ltd.)
- (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
- (vii) McNally Bharat Engineering (SA) Proprietary Ltd

(b) Subsidiaries of MBE Mineral Technologies Pte Limited

- (i) MBE Coal & Minerals Technologies GmbH
- (ii) MBE Cologne Engineering GmbH
- (iii) MBE EWB Technologiai Kft

(c) Associate of MBE Mineral Technologies Pte Limited

- (i) Hayward Tyler Group Plc.

(d) Subsidiaries of MBE Coal & Mineral Technology GmbH

- (i) MBE Mineral Processing Technology (Beijing) Co.Ltd .
- (ii) MBE Mineral Processing of Brazil LTDA
- (iii) PT MBE Coal & Minerals Technology, Indonesia
- (iv) MBE Minerals S.A. Pty Limited.
- (v) OOO MBE OUM, Russia
- (vi) Coal & Mineral Technology Holding GmbH, Germany

(e) Key Management Personnel

- (i) Mr. Deepak Khaitan - Executive Chairman
- (ii) Mr. Prasanta Kumar Chandra - Whole-time Director & COO
- (iii) Mr. Prabir Ghosh - Whole-time Director & Group CFO

Notes to the Financial Statements for the year ended 31.03.2013

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

(All figures in Rs. Lacs, unless otherwise stated)

| Description | MBE Coal & Mineral Technology India Pvt.Ltd | MBE Mineral Technologies Pte.Ltd. Singapore | MBE Cologne Engineering GmbH | MBE Coal & Minerals Technology GmbH | MBE EVIB Technologiat Kft. Hungary | McNally Sayaji Engineering Limited | McNally Bharat Equipments Limited | McNally Bharat Infrastructure Limited | MBE Minerals Zambia Limited | PT MBE Minerals Coal & Mineral Technologies Indonesia | MBE Minerals S.A. (Proprietary) Ltd. | McNally Bharat Engg (S.A.) Proprietary Ltd. |
|--------------------------------------|---|---|------------------------------|-------------------------------------|------------------------------------|------------------------------------|-----------------------------------|---------------------------------------|-----------------------------|---|--------------------------------------|---|
| | INR | INR | INR | INR | INR | INR | INR | INR | INR | INR | INR | INR |
| Purchase of Materials and components | - | - | - | - | - | 11,932.11 | - | - | - | - | - | - |
| Rendering of services | (43.80) | - | - | - | (8,592.53) | - | - | - | - | - | - | - |
| Purchase of services | 29.97 | - | - | (66.23) | - | 50.84 | - | - | - | - | - | - |
| | (140.76) | - | - | 74.11 | 24.73 | (483.37) | - | 204.82 | - | - | - | - |
| Sale of goods / contracts | - | - | - | (45.79) | (24.34) | - | - | (322.57) | - | - | - | - |
| | (158.50) | - | - | - | - | 29.26 | - | - | - | - | - | - |
| Bank Charges Reimbursed | 6.53 | - | 8.58 | 31.06 | 23.16 | - | - | - | - | - | - | - |
| | (5.14) | - | - | - | - | - | - | - | - | - | - | - |
| Rent paid | - | - | - | - | - | 73.50 | - | - | - | - | - | - |
| | - | - | - | - | - | (78.00) | - | - | - | - | - | - |
| Sale of Investment | - | (127.89) | - | - | - | - | - | - | - | - | - | - |
| Loan Given | - | (0.50) | - | - | - | - | - | - | - | - | - | - |
| Loans repaid | - | - | - | - | - | - | - | - | - | - | - | - |
| Guarantee given | 5,450.00 | 11,352.60 | - | - | - | 3,243.60 | - | - | - | - | - | - |
| Guarantee Charges received | - | 337.14 | - | (3,075.31) | - | - | - | - | - | - | - | - |
| | (1.99) | - | (11.88) | 30.22 | - | - | - | - | - | - | - | - |
| | - | - | - | (76.97) | - | - | - | - | - | - | - | - |
| Guarantee received | - | - | - | - | - | 3,112.00 | - | - | - | - | - | - |
| Standby Letter of Credit given | - | 1,670.45 | - | - | - | (3,112.00) | - | - | - | - | - | - |
| Dividend income | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | (126.59) | - | - | - | - | - | - |
| Advance against equity | - | - | - | - | - | - | - | - | - | - | - | - |
| Investments | - | 1,070.90 | - | - | - | 786.40 | - | - | - | - | - | 0.13 |
| | - | (1,918.37) | - | - | - | - | - | - | - | - | - | - |
| Interest received on loan | - | - | - | - | - | - | - | - | - | - | - | - |
| Share capital subscribed | - | - | - | - | - | - | - | - | - | - | - | - |

Notes to the Financial Statements for the year ended 31.03.2013

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

(All figures in Rs. Lacs, unless otherwise stated)

| Description | MBE Coal & Mineral Technology India Pvt.Ltd | MBE Mineral Technologies Pte Ltd, Singapore | MBE Cologne Engineering GmbH | MBE Coal & Minerals Technology GmbH | MBE E/V/B Technological Kft, Hungary | McNally Sayaji Engineering Limited | McNally Bharat Equipments Limited | McNally Bharat Infrastructure Limited | MBE Minerals Zambia Limited | PT MBE Coal & Mineral Technologies Indonesia | MBE Minerals S.A. (Proprietary) Ltd. | McNally Bharat Ergg (S.A.) Proprietary Ltd. |
|---|---|---|------------------------------|-------------------------------------|--------------------------------------|------------------------------------|-----------------------------------|---------------------------------------|-----------------------------|--|--------------------------------------|---|
| | INR | INR | INR | INR | INR | INR | INR | INR | INR | INR | INR | INR |
| Advance given | - | - | - | - | - | - | - | - | 541.20 | - | - | - |
| Other Items | 73.61 | 492.67 | - | 1.72 | - | 619.70 | - | - | 103.32 (101.13) | 48.06 (49.68) | 26.85 | - |
| Balances Outstanding as at 31.03.2013 | | | | | | | | | | | | |
| Outstanding balance of advance given | - | 0.50 | - | - | - | - | 1.00 (1.00) | 829.83 (186.25) | 1,010.65 (468.83) | - | - | - |
| Investments Outstanding | 1,909.78 (1,909.78) | 2,001.59 (930.69) | - | - | - | 15,343.11 (14,556.71) | 9.94 (9.94) | 9.94 (9.94) | 4.69 (4.69) | - | - | 0.13 |
| Outstanding on account of Standby Letter of Credit given | - | 1,670.45 (4,859.86) | - | - | - | - | - | - | - | - | - | - |
| Guarantees Outstanding | 5,450.00 (5,700.00) | 21,624.00 (14,835.39) | - | (4,442.12) | - | 5,838.48 (4,092.52) | - | - | - | - | - | - |
| Guarantees received | - | - | - | - | - | 3,112.00 | - | - | - | - | - | - |
| Interest Receivable | - | - | - | - | - | - | - | - | - | - | - | - |
| Outstanding receivable for supply of services | 367.75 (444.21) | - | - | - | - | (175.35) | - | - | - | - | - | - |
| Outstanding payables | - | 244.23 (1,909.78) | - | - | - | 764.76 (1,364.76) | - | - | - | 7.64 | 15.95 | - |
| Outstanding Receivables | - | 337.14 (1,231.91) | - | - | - | - | - | (250.00) | - | - | - | - |
| Outstanding payable for materials and components/services | - | - | 24.73 | 1.16 | - | 5,815.00 (2,544.17) | - | 102.06 | - | - | - | - |
| Advances Received | (38.68) | - | - | - | 77.31 | - | - | - | 221.66 (118.34) | (12.81) | - | - |
| | - | - | - | - | - | - | - | - | - | (8.00) | - | - |

Figures in bracket are for the year ended 31st March 2012

Notes to the Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

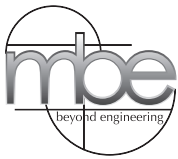
| | As at March 31, 2013 | As at March 31, 2012 |
|---|-------------------------|-------------------------|
| (II) Relating to parties referred in (c) above | | |
| Remuneration Paid | | |
| Mr. Deepak Khaitan | 306.28 | 176.45 |
| Mr. Prasanta Kumar Chandra | 154.33 | 138.02 |
| Mr. Prabir Ghosh | 155.13 | 139.31 |
| Dividend Paid | 0.03 | 0.04 |

45 LEASES

As a Lessee

The company has significant operating leases for premises. These lease arrangements include both cancellable and non-cancellable leases. Most of the leases are renewable for further period on mutually agreeable term. The aggregate lease rentals payable are charged as Rent under Note No. 28. With respect to non-cancellable operating leases, the future minimum lease payments are as follows:

| | | |
|---|--------|--------|
| Not later than one year | 510.88 | 495.48 |
| Later than one year and not later than five years | 212.87 | 212.87 |
| Later than five years | - | - |



Notes to the Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

As at
March 31, 2013 As at
March 31, 2012

46

A GRATUITY (FUNDED)

The Company operates a gratuity plan through the "McNally Bharat Executive Staff Gratuity Fund". Every employee is entitled to a benefit equivalent to fifteen days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972. The same is payable at the time of separation from the Company or retirement, whichever is earlier. The benefits vest after five years of continuous service.

(i) Reconciliation of Opening and Closing balances of the Present Value of the Defined Benefit Obligation

| | | |
|--|----------|---------|
| (a) Present Value of Obligation at the beginning of the year | 611.43 | 484.63 |
| (b) Current Service Cost | 97.97 | 118.43 |
| (c) Interest Cost | 51.88 | 43.84 |
| (d) Actuarial (Gains)/Losses | (102.23) | 2.95 |
| (e) Benefits Paid | (49.76) | (38.42) |
| (f) Present Value of Obligation at the end of the year | 609.29 | 611.43 |

(ii) Reconciliation of the Opening and Closing balances of Plan Assets

| | | |
|--|---------|---------|
| (a) Fair Value of Plan Assets at the beginning of the year | 365.63 | 285.15 |
| (b) Expected Return on Plan Assets | 35.17 | 26.03 |
| (c) Actuarial Gains/(Losses) | 1.35 | (0.37) |
| (d) Contributions by employer | 109.61 | 93.24 |
| (e) (Benefits paid) | (49.76) | (38.42) |
| (f) Fair Value of Plan Assets at the end of the year | 462.00 | 365.63 |

(iii) Amount recognised in current year and previous four years

| | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 |
|--|----------|----------|----------|----------|---------|
| (a) Present Value of Obligation as at the end of the year | 609.29 | 611.43 | 484.63 | 352.64 | 198.97 |
| (b) Fair Value of Plan Assets as at the end of the year | 462.00 | 365.63 | 285.15 | 219.66 | 165.78 |
| (c) Liabilities recognized in the Balance Sheet | (147.28) | (245.80) | (199.49) | (132.97) | (33.19) |
| (d) Experience (Gain)/loss adjustments on plan liabilities | (102.23) | 2.95 | 61.27 | 65.11 | 17.89 |
| (e) Experience Gain/(loss) adjustments on plan assets | 1.35 | (0.37) | (0.50) | (0.49) | (0.59) |

Notes to the Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|---|-------------------------|-------------------------|
| (iv) Expense recognised in the Statement of Profit and Loss | | |
| (a) Current Service Cost | 97.97 | 118.43 |
| (b) Interest Cost | 51.88 | 43.84 |
| (c) (Expected Return on Plan Assets) | (35.17) | (26.03) |
| (d) Actuarial (Gains)/Losses on defined benefit Obligation | (102.23) | 2.95 |
| (e) Actuarial Losses/(Gains) on plan Assets | (1.35) | 0.37 |
| (f) Total Expense recognized and included | 11.10 | 139.56 |
| (v) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets | | |
| (a) Fund with Life Insurance Corporation of India (LIC) (break-up by investment type is not available from LIC) | 100.00 | 99.90 |
| (b) Balance with Bank | – | 0.10 |
| Total | 100.00 | 100.00 |
| (vi) Actual Return on Plan Assets | 36.53 | 26.45 |

B. LEAVE ENCASHMENT (UNFUNDED)

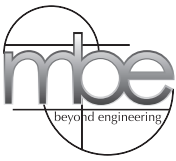
The Company has a leave encashment plan for its employees. Every employee is entitled to cash equivalent of accumulated leave days earned during their service period. The same is payable at the time of separation from the Company or retirement, whichever is earlier.

(i) Reconciliation of Opening and Closing balances of the Present Value of the Defined Benefit Obligation

| | | |
|--|---------|---------|
| (a) Present Value of Obligation at the beginning of the year | 646.15 | 499.06 |
| (b) Current Service Cost | 65.07 | 63.10 |
| (c) Interest Cost | 49.49 | 45.81 |
| (d) Actuarial (Gains)/Losses | (11.86) | 126.77 |
| (e) Benefits Paid | (75.38) | (88.58) |
| (f) Present Value of Obligation at the end of the year | 673.47 | 646.16 |

(ii) Net Asset / (Liability) recognised in the Balance Sheet

| | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 |
|--|----------|----------|----------|----------|----------|
| (a) Present Value of Obligation as at the end of the year | 673.47 | 646.16 | 499.06 | 413.55 | 244.29 |
| (b) Fair Value of Plan Assets as at the end of the year | – | – | – | – | – |
| (c) Liabilities recognized in the Balance Sheet | (673.47) | (646.16) | (499.06) | (413.55) | (244.29) |
| (d) Experience Gain/(loss) adjustments on plan liabilities | 11.86 | 126.77 | 182.07 | 131.83 | 59.96 |



Notes to the Financial Statements for the year ended 31.03.2013

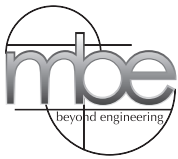
(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|---|--|--|
| (iii) Expense recognised in the Statement of Profit and Loss | | |
| (a) Current Service Cost | 65.07 | 63.10 |
| (b) Interest Cost | 49.49 | 45.81 |
| (c) Actuarial (Gains)/Losses | (11.86) | 126.77 |
| (d) Total Expense recognized | 102.70 | 235.68 |
| C SICK LEAVE (UNFUNDED) | | |
| The Company allows employees to accumulate and carry forward sick leave days earned. Sick leave is not encashable. | | |
| (i) Reconciliation of Opening and Closing balances of the Present Value of the Defined Benefit Obligation | | |
| (a) Present Value of Obligation at the beginning of the year | 328.52 | 222.49 |
| (b) Current Service Cost | 37.57 | 35.15 |
| (c) Interest Cost | 28.10 | 22.04 |
| (d) Actuarial (Gains)/Losses | (61.44) | 48.84 |
| (e) Present Value of Obligation at the end of the year | 332.75 | 328.52 |
| (ii) Net Asset / (Liability) recognised in the Balance Sheet | | |
| | 2012-13 | 2011-12 |
| (a) Present Value of Obligation as at the end of the year | 332.75 | 328.50 |
| (b) Fair Value of Plan Assets as at the end of the year | - | - |
| (c) Liabilities recognized in the Balance Sheet | (332.75) | (328.50) |
| (d) Experience Gain/(loss) adjustments on plan liabilities | (61.44) | (48.84) |
| (iii) Expense recognised in the Statement of Profit and Loss | | |
| (a) Current Service Cost | 37.57 | 35.15 |
| (b) Interest Cost | 28.10 | 22.04 |
| (c) Actuarial (Gains)/Losses | (61.44) | 48.84 |
| (d) Total Expense recognized | 4.23 | 106.03 |
| D Principal Actuarial Assumptions made by the actuary for valuation of the above mentioned employee benefits | | |
| (a) Discount Rate (Per annum) | 7.50% | 7.50% |
| (b) Expected Rate of Return on Plan Assets (Per annum) | 8.50% | 8.50% |
| (c) Rate of Salary Increase (Per annum) | 4.00% | 7.50% |
| (d) Mortality Rate | In accordance with standard table LIC (1994-96) ultimate | In accordance with standard table LIC (1994-96) ultimate |

Notes to the Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|----------|---|---------------------------------|
| E | <p>The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.</p> <p>(a) 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.</p> | |
| F | <p>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.</p> | |
| G | <p>Provident Fund</p> <p>Provident fund for certain eligible employees is managed by the Company through the “McNally Bharat Employees Provident Fund” in line with the Employees Provident Fund and Miscellaneous Provisions Act, 1952. The plan guarantees interest at the rate notified by the Provident Fund Authorities. The contribution by the employer and employee together with the interest accumulated thereon are payable to employees at the time of their separation from the company or retirement, whichever is earlier. The benefits vest immediately on rendering of the services by the employee. The Guidance on Implementing AS 15, Employee Benefits (Revised 2005) issued by Accounting Standard Board (ASB) states that benefits involving employers established provident funds, which require interest shortfalls to be compensated are to be considered as defined benefit plans. The Actuarial Society of India has issued the final guidance for measurement of provident fund liabilities. The actuary has accordingly provided a valuation and there is no additional liability as at 31st March, 2013, in respect of interest rate guarantee .</p> <p>Current year is the first year of actuarial valuation being done for the provident fund schemes administered through the Trusts, in view of the issuance of the Guidance Note by the Institute of Actuaries of India, hence previous years figures are not disclosed.</p> | |
| H | <p>Disclosures included are limited to the extent of disclosures provided by the actuary</p> | |
| I | <p>Company’s best estimate of contribution expected to be paid to the Funds in the next year</p> | |
| | Gratuity Fund | 204.22 |
| | Provident Fund | 468.14 |



Notes to the Financial Statements for the year ended 31.03.2013

47 CLASSIFICATION OF LONG TERM BORROWINGS

(All figures in Rs. Lacs, unless otherwise stated)

| | Classified as Non Current | | Classified as Current | |
|------------------|---------------------------|-------------------------|-------------------------|-------------------------|
| | As at March 31, 2013 | As at March 31, 2012 | As at March 31, 2013 | As at March 31, 2012 |
| Term Loan | | | | |
| From Bank | 3,457.44 | 3,580.50 | 3,157.10 | 5,451.39 |
| From Others | 1.59 | 10.36 | 36.58 | 47.19 |
| | <u>3,459.03</u> | <u>3,590.86</u> | <u>3,193.68</u> | <u>5,498.58</u> |

(a) Repayment terms and nature of securities given for term loan are as follows :

| Name of Lender | Type | As at March 31, 2013 | As at March 31, 2012 | Nature of Security | Repayment Terms | | | | | | | | | | | | |
|--------------------------------|---------------|-------------------------|-------------------------|---|--|--------|---------------|----|-------|----|-------|----|-------|----|-------|-------|--------|
| DBS Bank Ltd. | Bank | 2,085.44 | 3,382.86 | Exclusive charge on the entire fixed assets procured from ECB loan of USD 9.5 Million with assets cover of 1.50 times charge. | Loans will be repaid in 4 installments payable at the end of 12, 24, 36 & 48 months respectively. <table border="1"> <thead> <tr> <th>Months</th> <th>Repayment (%)</th> </tr> </thead> <tbody> <tr> <td>12</td> <td>10.00</td> </tr> <tr> <td>24</td> <td>20.00</td> </tr> <tr> <td>36</td> <td>30.00</td> </tr> <tr> <td>48</td> <td>40.00</td> </tr> <tr> <td>Total</td> <td>100.00</td> </tr> </tbody> </table> | Months | Repayment (%) | 12 | 10.00 | 24 | 20.00 | 36 | 30.00 | 48 | 40.00 | Total | 100.00 |
| Months | Repayment (%) | | | | | | | | | | | | | | | | |
| 12 | 10.00 | | | | | | | | | | | | | | | | |
| 24 | 20.00 | | | | | | | | | | | | | | | | |
| 36 | 30.00 | | | | | | | | | | | | | | | | |
| 48 | 40.00 | | | | | | | | | | | | | | | | |
| Total | 100.00 | | | | | | | | | | | | | | | | |
| ICICI Bank Ltd. | Bank | 3,841.60 | 3,580.50 | First charge by way of hypothecation on moveable assets / equipments both present and future with minimum asset cover of 1.25 times on outstanding ECB facility | The Borrower shall repay the total drawn down amount in ten semi annualy installments commencing from the end of 30 months from the date of first drawdown. | | | | | | | | | | | | |
| Development Credit Bank Ltd. | Bank | 687.50 | 2,062.50 | First charge on pari passu basis on all the fixed assets of the company and first charge on pari passu basis on all the movable fixed assets of Kumadhubi (Unit -II), Bangalore unit & Asansol unit (these units now held in the books of McNally Sayaji Engineering Ltd), other than those assets exclusively charged to other banks/ financial institutions, wherever situated present and future. | Tenor : 3 Years 2 months. Repayments within 3 years 2 months from the date of disbursal by way of 14 equal quarterly installments. | | | | | | | | | | | | |
| Bank of India | Bank | - | 2.78 | Secured by hypothecation of asset acquired out of the said loan | Original Loan amount- Rs 7,72,000 which is repayable in 36 monthly equated installments falling due on 7th of every month. | | | | | | | | | | | | |
| ICICI Banking Corporation Ltd. | Bank | - | 2.78 | Secured by hypothecation of asset acquired out of the said loan | Original Loan amount- Rs 7,72,000 which is repayable in 36 monthly equated installments falling due on 7th of every month. | | | | | | | | | | | | |
| Tata Capital Ltd. | Non Bank | 38.17 | 57.54 | Secured by hypothecation of asset acquired out of the said loan | Repayable in 36 monthly equated installments. | | | | | | | | | | | | |
| HDFC Bank Ltd. | Bank | - | 0.48 | Secured by hypothecation of asset acquired out of the said loan | Repayable in 36 monthly equated installments. | | | | | | | | | | | | |
| | | <u>6,652.71</u> | <u>9,089.44</u> | | | | | | | | | | | | | | |

Notes to the Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

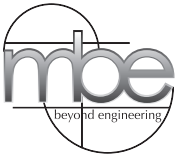
| | Classified as Non Current | | Classified as Current | |
|---|---------------------------|-------------------------|-------------------------|-------------------------|
| | As at March 31, 2013 | As at March 31, 2012 | As at March 31, 2013 | As at March 31, 2012 |
| 48 CLASSIFICATION OF PROVISION FOR EMPLOYEE BENEFITS | | | | |
| Provision for Gratuity | 122.50 | - | 24.78 | 245.80 |
| Provision for Privileged Leave Encashment | 647.69 | 605.48 | 25.78 | 40.68 |
| Provision for Other Employee Benefits | 327.80 | 317.84 | 31.51 | 34.93 |
| | <u>1,097.99</u> | <u>923.32</u> | <u>82.07</u> | <u>321.41</u> |
| 49 CLASSIFICATION OF PROVISION FOR TAX | | | | |
| Provision for Tax | 6,141.55 | 3,853.19 | 651.29 | 1,658.86 |
| | <u>6,141.55</u> | <u>3,853.19</u> | <u>651.29</u> | <u>1,658.86</u> |

50 Change in the estimate of contract revenue or contract costs have an effect on the current period and/or subsequent periods. It is impracticable to quantify the impact of such change in estimate.

51 DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

(All figures in Rs. Lacs, unless otherwise stated)

| | Currency Pair | As at 31.03.13 | | As at 31.03.12 | |
|--|---------------|----------------|-------|-----------------------|-----------------------|
| | | Buy | Sell | Buy | Sell |
| | | | | | |
| (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 : | | | | | |
| Loan | USD/INR | 108.00 | - | 136.50 | - |
| (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 | 0.10 | - | 7.67 | - |
| | EUR/INR | 37.17 | - | 46.25 | - |
| | GBP/INR | - | - | 3.78 | - |
| | SEK/INR | - | - | - | - |
| Payable to Subsidiary | USD/INR | 6.09 | - | 13.25 | - |
| | EUR/INR | 0.37 | - | - | - |
| | ZAR/INR | 2.63 | - | - | - |
| Advance to Vendor | USD/INR | - | 1.90 | 1.77 | - |
| | EUR/INR | - | 0.23 | 3.60 | - |
| Advance to Subsidiary | USD/INR | - | 16.08 | 0.22 | - |
| Debtors | USD/INR | - | 10.98 | 68.44 | - |
| | EUR/INR | - | 6.76 | 31.36 | - |
| Advance from customers | USD/INR | 14.55 | - | 3.70 | - |
| Loans | USD/INR | 182.70 | - | 70.00 | - |
| | EUR/INR | 45.23 | - | - | - |
| Recoverable from Subsidiary | USD/INR | - | 6.21 | - | - |
| (c) Mark to market Losses | | | | As at 31.03.13 | As at 31.03.12 |
| Mark to market losses provided for | | | | <u>307.44</u> | <u>-</u> |



Notes to the Financial Statements for the year ended 31.03.2013

52 Research and Development (R&D) Expenditure

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 Statement of Profit and Loss respectively. Accordingly R & D revenue expenditure incurred during the year debited to various account heads is Rs. 230.32 Lacs (2011-12: Rs 222.53 Lacs) and on account of capital expenditure is Rs 101.63 Lacs (2011-12: Rs. 179.55 Lacs)

53 The company has only one “Business segment” and one “Geographical segment” as defined in Accounting Standard - 17 on “Segment Reporting”.

54 Previous year’s figures have been rearranged and / or regrouped wherever necessary to make them comparable with that of current year.

Signatories to notes 1 to 54

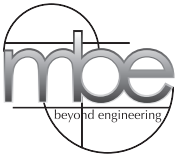
For **Lovelock & Lewes**
Firm Registration Number 301056E
Chartered Accountants
Prabal Kr. Sarkar
Partner
Membership No. 52340
Kolkata, 29th May, 2013

| | |
|-------------------------------|---------------------------------------|
| Deepak Khaitan | - Executive Chairman |
| Prasanta Kumar Chandra | - Wholetime Director & COO |
| Prabir Ghosh | - Wholetime Director & Group CFO |
| Sukanta Chattopadhyay | - V.P. Commercial & Company Secretary |

Cash Flow Statement for the year ended 31st March 2013

(All figures in Rs. Lacs, unless otherwise stated)

| | Year ended 31st March, 2013 | | Year ended 31st March, 2012 | |
|--|--------------------------------|--------------------|--------------------------------|--------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Net Profit Before Tax | | 5,662.09 | | 7,853.86 |
| Adjustments for : | | | | |
| Depreciation | 1,357.71 | | 1,053.13 | |
| Finance Cost | 10,003.46 | | 5,379.09 | |
| Interest Income | (347.33) | | (251.51) | |
| Dividend Income | (0.66) | | (127.20) | |
| Loss/(Profit) on Disposal of Fixed Assets (Net) | – | | 10.52 | |
| Loss/(Profit) on Sale of Investment (Net) | – | | (60.46) | |
| Loss on Investment written off | 2.50 | | – | |
| Bad Debt write off | 106.93 | | – | |
| Provision for employee benefits (Net) | – | | 296.98 | |
| Unrealised Loss/(Gain) on Derivative Contracts | 307.44 | | (485.29) | |
| Unrealised Loss/(gain) on Foreign Currency Translation (Net) | 361.51 | 11,791.56 | (775.74) | 5,039.52 |
| Operating Profit Before Working Capital Changes | | 17,453.65 | | 12,893.38 |
| Adjustments for changes in working capital | | | | |
| (Increase) / Decrease in Trade and other receiveable | (40,960.53) | | (14,055.98) | |
| (Increase) / Decrease in Inventories | (2,483.88) | | (4,942.83) | |
| (Increase)/Decrease in Other Bank Balance | (39.86) | | 28.15 | |
| Increase / (Decrease) in Trade Payable and Other payables | 14,350.75 | (29,133.52) | (4,704.26) | (23,674.92) |
| Cash Generated from Operations | | (11,679.87) | | (10,781.54) |
| Direct Taxes Paid (net of refund received) | (518.50) | | 1,362.49 | |
| | | (518.50) | | 1,362.49 |
| Net Cash from Operating Activities | | (12,198.37) | | (9,419.05) |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of Fixed Assets | (3,194.80) | | (2,128.04) | |
| Sale of Fixed Assets | – | | 23.28 | |
| Interest Received | 347.33 | | 251.51 | |
| Dividend Received | 0.66 | | 127.20 | |
| Purchase of Current Investments | – | | (120.00) | |
| Sale of Current Investments | – | | 140.00 | |
| Purchase of Investment in subsidiary | (1,857.42) | | | |
| Sale of Investment in subsidiary | – | (4,704.23) | 132.72 | (1,573.33) |
| Net Cash used in Investing Activities | | (4,704.23) | | (1,573.33) |



Cash Flow Statement for the year ended 31st March 2013

(All figures in Rs. Lacs, unless otherwise stated)

| | Year ended 31st March, 2013 | Year ended 31st March, 2012 |
|--|--------------------------------|--------------------------------|
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Interest Paid | (9,946.68) | (5,267.08) |
| Proceeds from Issue of Shares | 825.00 | – |
| Security premium on issue of Preference Shares | 2,888.40 | – |
| Proceeds from Long Term Borrowings | – | 3,661.11 |
| Repayment of Long Term Borrowings | (2,582.72) | (1,691.60) |
| Proceeds from Other Borrowings (Net) | 26,214.72 | 12,946.70 |
| Dividend paid (including tax thereon) | (339.86) | (702.18) |
| Net Cash from Financing Activities | 17,058.86 | 8,946.95 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 156.26 | (2,045.43) |
| Cash & Cash Equivalents (Opening Balance) | 1,145.21 | 3,190.64 |
| [Refer Note No 20 to Accounts] | | |
| Cash & Cash Equivalents (Closing Balance) | 1,301.47 | 1,145.21 |
| [Refer Note No 20 to Accounts] | | |

1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement.
2. Schedule referred to above forms an integral part of the Cash Flow Statement.
3. 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
Prabal Kr. Sarkar
Partner
 Membership No. 52340
 Kolkata, 29th May, 2013

Deepak Khaitan - Executive Chairman
Prasanta Kumar Chandra - Wholetime Director & COO
Prabir Ghosh - Wholetime Director & Group CFO
Sukanta Chattopadhyay - V.P. Commercial & Company Secretary

Independent Auditors' Report

To the Board of Directors of McNally Bharat Engineering Company Limited

1. We have audited the accompanying consolidated financial statements (the "Consolidated Financial Statements") of McNally Bharat Engineering Company Limited ("the Company") and its subsidiaries and associate company; hereinafter referred to as the "Group" (refer Note 1 to the attached consolidated financial statements) which comprise the consolidated Balance Sheet as at March 31, 2013, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information which we have signed under reference to this report.

Management's Responsibility for the Consolidated Financial Statements

2. The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

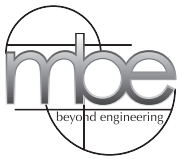
6. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements and Accounting Standard (AS) 23 - Accounting for Investments in Associates in Consolidated Financial Statements notified under Section 211(3C) of the Companies Act, 1956.
7. 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 in paragraph 9 below, and to the best of our information and according to the explanations given to us, in our opinion, the accompanying 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 March 31, 2013;
 - (b) in the case of the consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and
 - (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matters

8. We did not audit the financial statements of (i) twelve subsidiaries included in the consolidated financial statements, which constitute total assets of Rs. 29,933.61 Lacs and net assets of Rs. 15,235.01 Lacs as at 31st March, 2013, total revenue of Rs. 29,386.79 Lacs, net loss of Rs 7,161.17 Lacs and net decrease in cash flows amounting to Rs 1,043.69 Lacs 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
9. We did not audit the financial statements of two subsidiaries which constitute total assets of Rs. 16.86 Lacs and net assets of Rs 16.86 Lacs as at 31st March, 2013, total revenue of Rs. Nil, net loss of Rs 0.70 Lacs and net increase in cash flows amounting to Rs 16.86 Lacs for the year then ended; and (ii) one associate company included in the consolidated financial statements, which constitute net profit of Rs 430.62 Lacs for the period from 1st January, 2012 to 31st December, 2012. The unaudited financial information has been provided to us by the management, and our opinion on the consolidated financial statements to the extent they relate to these subsidiaries and associate company is based solely on such unaudited financial information furnished to us.

For Lovelock & Lewes
Firm Registration No. 301056E
Chartered Accountants
Prabal Kr. Sarkar
Partner
Membership No: 52340

Kolkata, May 29, 2013



Consolidated Balance Sheet as at 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| Particulars | Note No | As at March 31, 2013 | As at March 31,2012 |
|---|---------|-------------------------|------------------------|
| I EQUITY AND LIABILITIES | | | |
| 1 Shareholders' funds | | | |
| (a) Share capital | 3 | 3,934.38 | 3,109.38 |
| (b) Reserves and surplus | 4 | 35,013.60 | 33,191.43 |
| (c) Money received against Share warrants | | — | — |
| 2 Minority Interest | | 4,861.31 | 5,618.85 |
| 3 Non-current liabilities | | | |
| (a) Long-term borrowings | 5 | 24,695.16 | 15,722.17 |
| (b) Deferred tax liabilities (Net) | 6 | 534.99 | 1,162.94 |
| (c) Other Long term liabilities | 7 | 1,013.79 | 3,502.86 |
| (d) Long-term provisions | 8 | 9,415.20 | 6,320.70 |
| 4 Current liabilities | | | |
| (a) Short-term borrowings | 9 | 77,198.05 | 49,539.80 |
| (b) Trade payables | 10 | 98,097.54 | 87,891.96 |
| (c) Other current liabilities | 11 | 65,428.36 | 70,189.92 |
| (d) Short-term provisions | 12 | 4,210.46 | 4,760.88 |
| TOTAL | | 324,402.84 | 281,010.89 |
| II ASSETS | | | |
| 1 Non-current assets | | | |
| (a) Fixed assets | | | |
| (i) Tangible assets | 13 | 34,048.04 | 25,338.68 |
| (ii) Intangible assets | 13 | 5,572.18 | 9,214.89 |
| (iii) Capital work-in-progress | | 1,057.18 | 5,961.09 |
| (b) Non-current investments | 14 | 9,419.90 | 4,613.09 |
| (c) Long-term loans and advances | 16 | 4,011.85 | 1,679.80 |
| (d) Other non-current assets | 17 | 1,203.07 | 524.21 |
| 2 Current assets | | | |
| (a) Current investments | 15 | 7.02 | 7.02 |
| (b) Inventories | 18 | 24,483.30 | 22,542.07 |
| (c) Trade receivables | 19 | 162,459.27 | 151,435.88 |
| (d) Cash and Bank Balances | 20 | 5,345.47 | 5,600.79 |
| (e) Short-term loans and advances | 21 | 26,463.40 | 27,094.44 |
| (f) Other current assets | 22 | 50,332.16 | 26,998.93 |
| TOTAL | | 324,402.84 | 281,010.89 |

The notes are an integral part of these financial statements.

This is the Consolidated Balance Sheet referred to in our Report of even date.

For **Lovelock & Lewes**
Firm Registration Number 301056E
Chartered Accountants
Prabal Kr. Sarkar
Partner
Membership No. 52340
Kolkata, 29th May, 2013

Deepak Khaitan - Executive Chairman
Prasanta Kumar Chandra - Wholetime Director & COO
Prabir Ghosh - Wholetime Director & Group CFO
Sukanta Chattopadhyay - V.P. Commercial & Company Secretary

Consolidated Statement of Profit and Loss For The Year Ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

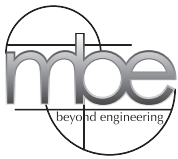
| Particulars | Note No | Year Ended March 31, 2013 | Year Ended March 31, 2012 |
|--|---------|------------------------------|------------------------------|
| I Sale of Equipments & Contract Revenue | 23 | 268,568.06 | 261,666.34 |
| Sale of Services | | 1,683.23 | 4,569.52 |
| Other Operating Revenues | | 1,880.20 | 1,035.83 |
| | | <u>272,131.49</u> | <u>267,271.69</u> |
| Less : Excise Duty | | 3,924.71 | 2,953.59 |
| | | <u>268,206.78</u> | <u>264,318.10</u> |
| II Other Income | 24 | 2,073.16 | 2,473.28 |
| III Total Revenue (I+II) | | <u>270,279.94</u> | <u>266,791.38</u> |
| Expenses : | | | |
| IV Cost of materials consumed | 25 | 128,025.66 | 132,241.63 |
| Changes in inventories of finished goods work-in-progress and Stock-in-Trade | 29 | (679.02) | (1,886.54) |
| Outsourcing expenses to outsiders for job work | | 57,306.76 | 55,094.62 |
| Employee benefit expenses | 26 | 31,935.86 | 29,633.88 |
| Finance cost | 27 | 13,683.30 | 9,250.54 |
| Depreciation and amortization expenses | 13 | 3,055.50 | 2,639.32 |
| Other expenses | 28 | 37,213.38 | 33,895.67 |
| Total Expenses | | <u>270,541.44</u> | <u>260,869.12</u> |
| V Profit / (Loss) before exceptional and extraordinary items and tax (III - IV) | | <u>(261.50)</u> | <u>5,922.26</u> |
| VI Exceptional Items | | – | 2,613.70 |
| VII Profit / (Loss) Before extra ordinary items and Tax (V + VI) | | <u>(261.50)</u> | <u>8,535.96</u> |
| VIII Extraordinary items | | – | (20.58) |
| IX Profit / (Loss) before tax (VII - VIII) | | <u>(261.50)</u> | <u>8,515.38</u> |
| X Tax Expense : | | | |
| (1) Current Tax | | 2,493.54 | 2,892.74 |
| (2) Deferred Tax | | (565.97) | (1,004.25) |
| | | <u>1,927.57</u> | <u>1,888.49</u> |
| XI Profit / (Loss) after tax before minority interests and share of results of Associate (IX - X) | | <u>(2,189.07)</u> | <u>6,626.89</u> |
| XII (1) Minority Interest | | 130.33 | 64.32 |
| (2) Share of (profit) / Loss of associate | | (133.48) | – |
| | | <u>(3.15)</u> | <u>64.32</u> |
| XIII Profit / (Loss) for the period (XI - XII) | | <u>(2,185.92)</u> | <u>6,562.57</u> |
| XIV Earnings Per Equity Share : | | | |
| [Nominal Value per share : Rs. 10 (2012:Rs. 10)] | | | |
| (1) Basic (Rs.) | | (7.05) | 21.11 |
| (2) Diluted (Rs.) | | (7.05) | 21.11 |

The notes are an integral part of these financial statements.

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

For **Lovelock & Lewes**
Firm Registration Number 301056E
Chartered Accountants
Prabal Kr. Sarkar
Partner
Membership No. 52340
Kolkata, 29th May, 2013

Deepak Khaitan - Executive Chairman
Prasanta Kumar Chandra - Wholetime Director & COO
Prabir Ghosh - Wholetime Director & Group CFO
Sukanta Chattopadhyay - V.P. Commercial & Company Secretary



Notes to the Consolidated Financial Statements for the year ended 31.03.2013

1 Disclosure relating to entities considered in the Consolidated Financial Statements

- (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 | Reporting Dates |
|--|--------------------------|----------------------------------|-----------------|
| McNally Sayaji Engineering Limited (MSEL) | India | 74.86% | 31-Mar-13 |
| McNally Bharat Equipments Limited | India | 99.40% | 31-Mar-13 |
| McNally Bharat Infrastructure Limited | India | 99.40% | 31-Mar-13 |
| MBE Minerals Zambia Limited | Zambia | 99.99% | 31-Mar-13 |
| MBE Mineral Technologies Pte Limited | Republic of Singapore | 100.00% | 31-Mar-13 |
| McNally Bharat Engineering (SA) Proprietary Ltd | South Africa | 100.00% | 31-Mar-13 |
| MBE Coal & Mineral Technology India Pvt Ltd (formerly McNally Humboldt Wedag Minerals India Private Limited) * | India | 99.99% | 31-Mar-13 |
| MBE Coal & Mineral Technology Gmbh (Subsidiary of MBE Mineral Technologies Pte Limited) | Germany | 100% | 31-Mar-13 |
| MBE Cologne Engineering Gmbh (Subsidiary of MBE Mineral Technologies Pte Limited) | Germany | 100% | 31-Mar-13 |
| MBE Minerals (S.A.) Proprietary Limited (Subsidiary of MBE Coal & Mineral Technology Gmbh) | South Africa | 100% | 31-Mar-13 |
| MBE EWB Kornyezetvedelmi Kft ** | Hungary | 99% | 31-Mar-13 |
| MBE Mineral Processing Technology(Beijing) Co Ltd (Subsidiary MBE Coal & Minerals Technology Gmbh) | China | 100% | 31-Mar-13 |
| MBE Mineral Processing Brasil LTDA (Subsidiary of MBE Coal & Minerals Technology Gmbh) | Brazil | 99% | 31-Mar-13 |
| MBE Coal & Mineral Technology Indonesia (Subsidiary of MBE Coal & Minerals Technology Gmbh) | Indonesia | 100% | 31-Mar-13 |
| MBE Aufbereitung von Kohle und Mineralien [OOO MBE OUM] (subsidiary of MBE Coal & Minerals Technology Gmbh) | Russia | 100% | 31-Mar-13 |
| Coal & Mineral Technology Holding Gmbh, Germany (Subsidiary of MBE Coal & Minerals Technology Gmbh) | Germany | 100% | 31-Mar-13 |

* subsidiary of MBE Mineral Technologies Pte Limited upto 16 November, 2011 thereafter became a subsidiary of the Company

** subsidiary of the Company upto 16 November, 2011 thereafter became a subsidiary of MBE Mineral Technologies Pte Limited

- (ii) a) During the year the company has set up a wholly owned subsidiary company in Russia viz. MBE Aufbereitung von Kohle und Mineralien , Russia through its subsidiary MBE Coal & Minerals Technology Gmbh.
- b) During the year the company has set up a wholly owned subsidiary company in Germany viz. Coal & Mineral Technology Holding Gmbh, Germany through its subsidiary MBE Coal & Minerals Technology Gmbh.
- c) During the year the company has set up a wholly owned subsidiary company in South Africa viz. McNally Bharat Engineering (SA) Proprietary Ltd, South Africa.
- (iii) The Consolidated financial statement represents consolidation of accounts of McNally Bharat Engineering Company Limited (the Company) and its following Associate :

| Name of the Company | Country of incorporation | Proportion of Ownership interest | Reporting Dates |
|-----------------------------|--------------------------|----------------------------------|-----------------|
| (a) Hayward Tyler Group Plc | Isle of Man | 41.69% | 31-Mar-13 |

Notes to the Consolidated Financial Statements for the year ended 31.03.2013

2 Summary of significant accounting policies

2.1 Basis of Consolidation

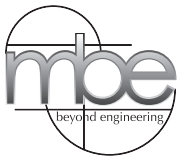
The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 – “Consolidated Financial Statements” and Accounting Standard 23 (AS 23) - “Accounting for Investments in Associates in Consolidated Financial Statements” as notified by Companies (Accounting Standards) Rules, 2006.

The Consolidated financial statements are prepared on the following basis:

- (i) Subsidiaries are consolidated from the date on which control is transferred to the group and are not consolidated from the date that control ceases.
- (ii) 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.
- (iii) 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.
- (iv) The excess / shortfall 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.
- (v) 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.
- (vi) The equity method has been followed where the investment is initially recorded at cost, identifying any goodwill/capital reserve arising at the time of acquisition. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the investor’s share of net assets of the investee. The consolidated statement of profit and loss reflects the investor’s share of the results of operations of the investee.
- (vii) These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956. All assets and liabilities have been classified as current or non-current as per each entity’s normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the entities have ascertained their operating cycle for the purpose of current – non-current classification of assets and liabilities as follows:- the Company: 24 months and - subsidiaries: 12 months.

2.2 Tangible Assets, Intangible Assets and Depreciation

- (a) Tangible Assets are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Cost includes inward freight, duties and taxes and expenses incidental to acquisition and installation of fixed assets. Own manufactured assets are capitalized at cost including an appropriate share of overheads.



Notes to the Consolidated Financial Statements for the year ended 31.03.2013

- (b) Depreciation on assets is provided on a pro-rata basis on Straight Line Method at rates specified in Schedule XIV to the Companies Act, 1956 or based on the remaining residual life, whichever is higher. Rates higher than Schedule XIV rates have been used in the following cases.

| Category of Fixed Assets | Rates of depreciation |
|---------------------------------------|-----------------------|
| Certain items of Factory Building | 5%-10%, 20% |
| Certain items of Non-factory Building | 4.17% - 10% |
| Certain items of Furniture & Fixtures | 15% |
| Certain items of Motor Cars | 20% |
| Certain items of Office Equipment | 20% |
| Certain items of Plant & Machinery | 10% |

Freehold Land and Leasehold Land (perpetual lease) are not depreciated. Other Leasehold land are amortised over the period of lease.

- (c) Profit and Loss on disposal of Fixed Assets is recognized in Statement of Profit and Loss.
- (d) Intangible Assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight line basis over their estimated useful lives. The amortization period and amortization method are reviewed at least at each financial year end. Computer software is amortised over a period of two to five years. 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 under straight line method.
- (e) Goodwill on consolidation is carried at cost. Goodwill is tested for impairment annually and impairment loss is recognized wherever applicable.

2.3 Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in Statement of Profit and Loss in the period in which they are incurred.

2.4 Impairments

Cash generating units/assets are assessed for possible impairment at Balance Sheet date based on external and internal sources of information. Impairment losses, if any are recognised as an expense in Statement of Profit and Loss.

2.5 Investments

Investments that are readily realizable and intended to be held for not more than a 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. To account for investments in associates using the equity method.

2.6 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 (including appropriate overheads in case of Work-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 Work-in-Progress covered by customers' orders indicate a loss, provision is made for entire loss. Obsolete, slow moving and defective stocks are identified at the time of

Notes to the Consolidated Financial Statements for the year ended 31.03.2013

physical verification of stocks and where necessary, provision is made for such stocks. Certain loose tools are written off over a period of ten years.

2.7 Foreign currency translation

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 Statement of Profit and Loss. 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.

2.8 Derivative Contracts

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 Statement of Profit and Loss.

2.9 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.

Sale of product and services represent the invoiced value of goods and services supplied and exclude value added tax, service tax and sales tax. Agency commission is recognized in terms of agency agreement.

Erection and commissioning income is recognized as revenue as and when it becomes due as per terms of contracts.

Repairs and service income is recognized as revenue after the service is rendered to the customers.

2.10 Other Income

Interest : Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

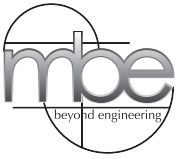
Dividend: Dividend income is recognised when the right to receive dividend is established.

Income from duty drawback is recognised in the Statement of Profit and Loss on an accrual basis.

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.

2.11 Employee Benefits

Short-term Employee Benefits are recognised in the period in which employee services are rendered. Contributions towards superannuation fund at rates specified in related approved scheme covering eligible employees are recognised as expense and funded. **Provident Fund:** Provident Fund contributions are made to Trusts administered by the Company / Funds managed by the Regional Provident Fund Commissioner. The Group's liability towards self administered Trusts is actuarially determined (using the Projected Unit Credit method) at the end of the year and any shortfall in the fund size maintained by the Trusts set up by the Group is additionally provided for. Actuarial losses/ gains are recognised in the



Notes to the Consolidated Financial Statements for the year ended 31.03.2013

Statement of Profit and Loss in the year in which they arise. **Gratuity:** The Group provides gratuity, a defined benefit plan (the 'Gratuity Plan') covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on respective employee's salary and the tenure of employment. The Group's liability is provided and funded on the basis of year end Actuarial valuation (using the Projected Unit Credit method). Actuarial losses/gains are recognised in the Statement of Profit and Loss in the year in which they arise. **Superannuation Fund:** The Group operates a superannuation fund scheme for some of its employees towards which the Group contributes upto a maximum of 15% of the employees' current salary, which is charged to the Statement of Profit and Loss. The scheme, which is fully funded, is managed by Trustees and is independent of the Group's finance. **Compensated Absences:** The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlements as at the year end. The Group's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial loss/gains are recognised in the Statement of Profit and Loss in the year in which they arise.

Post Retirement medical benefit: Accrued liability towards post employment medical benefits extended to certain categories of employees (Comprising of annual medical insurance premium to cover hospitalization) within a defined monetary limit are evaluated on the basis of actuarial valuation based on Projected Unit Credit (PCU) Method at the end of the year and is recognised as a charge in the accounts. **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 as per PCU method carried out as at the end of the year. **Employees' State Insurance Scheme:** Contribution to Central Government administered Employees' State Insurance Scheme for eligible employees is recognised as charge in Statement of Profit and Loss in the year in which they arise.

2.12 Current and Deferred Tax

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with prevailing taxation laws. Deferred taxes reflect the impact of timing differences 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.

2.13 Provisions and Contingent Liabilities

Provisions: Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are not discounted to its present value. **Contingent Liabilities:** Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made, is termed as a contingent liability.

2.14 Leases

As a Lessee :

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease payments under operating leases are charged on a straightline basis in the Statement of Profit and Loss over the lease term.

Notes to the Consolidated Financial Statements for the year ended 31.03.2013

2.15 Cash and Cash Equivalents

In the cash flow statement, cash and cash equivalents includes cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

2.16 Earning per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares, that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

2.17 Government Grants

Grants of Capital nature and related to specific Fixed Assets are deducted from gross value of assets. Other grants of Capital nature are credited to Capital Reserve. Grant related to revenue are recognised in the Statement of Profit and Loss on a systematic basis to match them with related costs.

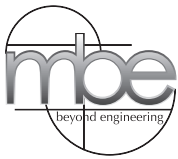
2.18 Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgements, estimates and assumptions that effect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in the future periods. Any revision to accounting estimates is recognised prospectively in the current and future periods.

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| 3 SHARE CAPITAL | | |
| Authorised : | | |
| 4,00,00,000 (March 31,2012 : 4,00,00,000) Equity Shares of Rs. 10/- each | 4,000.00 | 4,000.00 |
| 1,20,00,000 (March 31,2012 : NIL) 11.5% Non-Convertible Redeemable Preference Shares of Rs. 100/- each | 12,000.00 | — |
| | 16,000.00 | 4,000.00 |
| Issued, Subscribed & Paid up : | | |
| 3,10,93,818 (March 31,2012 : 3,10,93,818) Equity Shares of Rs. 10/- each fully paid up. | 3,109.38 | 3,109.38 |
| 8,25,000 (March 31,2012 : NIL) 11.50% Non-Convertible Redeemable Preference Shares of Rs. 100/- each fully paid up. | 825.00 | — |
| | 3,934.38 | 3,109.38 |

(a) **Reconciliation of Number of Equity Shares** : There was no movement of equity share capital during the year.



Notes to the Consolidated Financial Statements for the year ended 31.03.2013

(b) Reconciliation of Number of 11.50% Non- Convertible Redeemable Preference Shares :

| | As at 31.03.2013 | | As at 31.03.2012 | |
|------------------------------|---------------------|-------------|---------------------|-------------|
| | No. of shares | Rs. in Lacs | No of shares | Rs. in lacs |
| At the beginning of the year | – | – | – | – |
| Add : Issued during the year | 825,000.00 | 825.00 | – | – |
| At the end of the year | 825,000.00 | 825.00 | – | – |

(c) Right and restrictions attached to shares :

Equity Shares : The company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting,

Preference Shares: During the year under review the company has issued cumulative, non convertible redeemable preference shares of Rs 100 each at a coupon rate of 11.50% p.a.

(d) Shares held by holding company and subsidiary of holding company : The company does not have a holding company.

(e) Details of shares held by shareholders holding more than 5% of the aggregate Equity shares in the Company

| Sl. No. | Name of Equity Shareholders | As at March 31,2013 | | As at March 31,2012 | |
|---------|---------------------------------|---------------------|--------|---------------------|--------|
| | | No of Shares | % Held | No of Shares | % Held |
| 1 | Williamson Magor & Company Ltd. | 3,179,748 | 10.23% | 3,179,748 | 10.23% |
| 2 | Mcleod Russel India Ltd. | 3,052,295 | 9.82% | 3,052,295 | 9.82% |
| 3 | Kotak India Focus Fund | – | 0.00% | 1,680,755 | 5.41% |

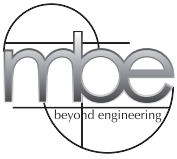
(f) Details of shares held by shareholders holding more than 5% of the aggregate 11.50% Non-Convertible Redeemable Preference shares in the Company

| Sl. No. | Name of Non-Convertible Redeemable Preference Shareholders | As at March 31,2013 | | As at March 31,2012 | |
|---------|--|---------------------|--------|---------------------|--------|
| | | No of Shares | % Held | No of Shares | % Held |
| 1 | Tata Capital Financial Services Limited | 625,000 | 75.76% | – | – |
| 2 | Brijesh Kumar Biyani | 100,000 | 12.12% | – | – |
| 3 | Vyana Advisory Private Limited | 100,000 | 12.12% | – | – |

Notes to the Consolidated Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| 4 RESERVES AND SURPLUS | | |
| Capital Redemption Reserve | 12.85 | 13.26 |
| Capital Reserve | | |
| Balance as per Last Account | 486.59 | 313.41 |
| Add : Addition during the year | 1,544.41 | 173.18 |
| Balance as at 31st March, 2013 | <u>2,031.00</u> | <u>486.59</u> |
| Securities Premium Account | 11,348.70 | 8,460.30 |
| Foreign currency translation reserve | | |
| Balance as per Last Account | (1,758.59) | 297.30 |
| Add : Adjustment for translation of non integral foreign operations | 481.96 | (2,055.89) |
| Balance as at 31st March, 2013 | <u>(1,276.63)</u> | <u>(1,758.59)</u> |
| Investment Reserve | – | 208.57 |
| General Reserve | | |
| Balance as per last account | 1,590.65 | 1,425.65 |
| Add : Consequent to change in Group Interest | 33.84 | – |
| Add : Transferred from Profit and Loss account | – | 165.00 |
| Balance as at 31st March, 2013 | <u>1,624.49</u> | <u>1,590.65</u> |
| Surplus in Statement of Profit and Loss | | |
| Balance as at the beginning of the year | 24,190.65 | 18,133.93 |
| Consequent to change in Group Interest | (243.93) | – |
| Share of Loss of Minority absorbed by Majority | 0.12 | – |
| Profit for the year | (2,185.92) | 6,562.57 |
| | <u>21,760.92</u> | <u>24,696.50</u> |
| Less : Appropriations | | |
| Proposed Dividend on Equity shares for the year* | 427.33 | 310.94 |
| Proposed Dividend on Preference shares for the year | 6.46 | – |
| Dividend Distribution Tax on Proposed Dividend on Equity Shares | 52.84 | 29.91 |
| Dividend Distribution Tax on Proposed Dividend on Preference Shares | 1.10 | – |
| Transfer to General Reserve | – | 165.00 |
| Balance at the end of the year | <u>21,273.19</u> | <u>24,190.65</u> |
| | <u>35,013.60</u> | <u>33,191.43</u> |
| *Includes dividend proposed by subsidiary on which right to receive has not been established as on the balance sheet date hence not considered as income by parent entity. | | |
| 5 LONG TERM BORROWINGS | | |
| Secured : [Refer Note 43] | | |
| Term Loan | | |
| From Banks | 24,673.57 | 15,689.31 |
| From Others | 1.59 | 16.37 |
| Unsecured : | | |
| From Banks | – | – |
| Other than from Banks | 20.00 | 16.49 |
| | <u>24,695.16</u> | <u>15,722.17</u> |



Notes to the Consolidated Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|---|-------------------------|-------------------------|
| 6 DEFERRED TAX LIABILITIES (NET) | | |
| Liabilities : | | |
| Difference between written down value of block of assets as per Income tax laws and book written down value of the fixed assets | 3,507.18 | 3,100.36 |
| Others | - | - |
| Assets : | | |
| Items allowable for tax purposes on payment | (327.40) | (446.15) |
| Business losses | (2,347.05) | (1,264.77) |
| Others | (297.74) | (226.50) |
| | <u>534.99</u> | <u>1,162.94</u> |
| (a) Deferred Tax Assets and Deferred Tax Liabilities have been offset as they relate to the same governing taxation laws | | |
| (b) During the year the company has recognised deferred tax assets on business losses to the extent of deferred tax liability of the relevant component | | |
| 7 OTHER LONG TERM LIABILITIES | | |
| Trade Payables (Including Acceptance) | 24.75 | 51.35 |
| Advance from Customers | 600.00 | - |
| Others | 389.04 | 3,451.51 |
| | <u>1,013.79</u> | <u>3,502.86</u> |
| 8 LONG-TERM PROVISIONS | | |
| Provision for Employee Benefits [Refer Note No 36] | | |
| Provision for Privileged Leave Encashment | 1,752.67 | 1,481.97 |
| Provision for Other Employee Benefits | 877.26 | 335.28 |
| | 2,629.93 | 1,817.25 |
| Other Provisions : | | |
| Provision for Lease Rent | 492.36 | 356.12 |
| Provision for Tax | 6,141.55 | 3,853.19 |
| Others | 151.36 | 294.14 |
| | <u>9,415.20</u> | <u>6,320.70</u> |
| 9 SHORT-TERM BORROWINGS | | |
| Secured : | | |
| Term Loan from Banks | | |
| Indian Rupee Loan | 9,234.24 | 1,500.00 |
| Foreign Currency Loan | 3,196.22 | - |
| Loan Repayable on demand : | | |
| From Banks | 50,554.48 | 46,589.80 |
| From Others | 2,500.00 | - |
| Unsecured : | | |
| From Banks | 8,962.82 | 1,000.00 |
| From Others | 2,750.29 | 450.00 |
| | <u>77,198.05</u> | <u>49,539.80</u> |

Notes to the Consolidated Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| 10 TRADE PAYABLES | | |
| Acceptances | 9,608.19 | 7,148.79 |
| Trade Creditors | <u>88,489.35</u> | <u>80,743.17</u> |
| | <u>98,097.54</u> | <u>87,891.96</u> |
| 11 OTHER CURRENT LIABILITIES | | |
| Current Maturities of Long Term Debt | 4,821.25 | 6,561.99 |
| Interest Accrued but not due on borrowings | 635.50 | 455.16 |
| Interest Accrued and due on borrowings | 52.29 | 3.56 |
| Income Received in advance | 602.38 | - |
| Unpaid Dividends [Refer note (a) below] | 146.02 | 32.05 |
| Advances from Customers | 41,857.42 | 30,848.05 |
| Employee Benefits payable | 1,702.33 | 1,962.08 |
| Security Deposits | 36.42 | 41.42 |
| Due to Customers [Refer Note (b) below] | 10,093.79 | 24,708.16 |
| Creditors for Purchase of Fixed Assets | 1,509.21 | 784.80 |
| Advance received for sale of Land | 212.50 | - |
| Others Payable | <u>3,759.25</u> | <u>4,792.65</u> |
| | <u>65,428.36</u> | <u>70,189.92</u> |
| (a) There is no amount due for payment to the Investor Education and Protection Fund under section 205C of the Companies Act, 1956 as at the year end. | | |
| (b) Excess of Actual billing over cost incurred and profit /loss recognised. | | |
| 12 SHORT-TERM PROVISIONS | | |
| Provision for Employee Benefits : [Refer Note No. 36] | | |
| Provision for Gratuity | 347.84 | 593.63 |
| Provision for Privileged Leave Encashment | 347.03 | 46.90 |
| Provision for Other Employee Benefits | <u>1,132.30</u> | <u>69.16</u> |
| | 1,827.17 | 709.69 |
| Other Provisions : | | |
| Provision for Tax | 1,144.27 | 2,620.58 |
| Provision for Proposed Dividend | 317.39 | 310.94 |
| Provision for Corporate Dividend Tax | 54.51 | 29.91 |
| Warranty | 517.85 | 709.78 |
| Liquidated damages | <u>349.27</u> | <u>379.98</u> |
| | <u>4,210.46</u> | <u>4,760.88</u> |

Notes to the Consolidated Financial Statements for the year ended 31.03.2013

13 FIXED ASSETS

(All figures in Rs. Lacs, unless otherwise stated)

| Particulars | GROSS BLOCK | | | | DEPRECIATION/ AMORTISATION | | | | NET BLOCK | | |
|----------------------------------|---------------|-----------|--------------------|--|----------------------------|---------------|--------------|--------------------|--|----------------|----------------|
| | April 1, 2012 | Additions | Sales/ Adjustments | Foreign Exchange Translation Reserve Adjustments | March 31, 2013 | April 1, 2012 | For the year | Sales/ Adjustments | Foreign Exchange Translation Reserve Adjustments | March 31, 2013 | March 31, 2012 |
| Tangible Assets : | | | | | | | | | | | |
| Free Hold Land | 1,634.85 | - | 1,378.00 | - | 256.85 | - | - | - | - | 256.85 | 1,634.85 |
| Lease Hold Land | 1,064.09 | 2,398.17 | 940.19 | - | 2,522.07 | 37.59 | 28.22 | 8.20 | - | 2,464.46 | 1,026.50 |
| Building | 5,312.76 | 6,787.31 | 6.09 | (4.05) | 12,089.93 | 664.39 | 216.28 | 7.00 | (4.78) | 11,221.04 | 4,648.37 |
| Plant & Machinery | 21,459.86 | 4,025.11 | 223.20 | (68.38) | 25,193.39 | 5,786.69 | 1,839.64 | 158.24 | (44.27) | 17,769.57 | 15,673.17 |
| Furniture & Fixture | 1,508.71 | 178.17 | 84.11 | (11.65) | 1,591.12 | 427.24 | 109.49 | 42.76 | (7.91) | 1,105.06 | 1,081.47 |
| Vehicles | 404.91 | 34.99 | 6.66 | (10.61) | 422.63 | 140.41 | 51.70 | 8.59 | (5.62) | 244.73 | 264.50 |
| Office Equipments | 1,334.80 | 98.26 | 75.11 | (37.03) | 1,320.92 | 653.35 | 141.33 | 70.23 | (27.78) | 624.25 | 681.45 |
| Refrigerators & Air Conditioners | 307.15 | 51.09 | 1.66 | - | 356.58 | 51.14 | 16.06 | 1.60 | - | 290.98 | 256.01 |
| Telephone Plant | 91.04 | 7.33 | - | (1.55) | 96.82 | 18.68 | 7.58 | - | (0.54) | 71.10 | 72.36 |
| (A) | 33,118.17 | 13,580.43 | 2,715.02 | (133.27) | 43,850.31 | 7,779.49 | 2,410.30 | 296.62 | (90.90) | 34,048.04 | 25,338.68 |
| Intangible Assets : | | | | | | | | | | | |
| Goodwill | 7,726.74 | - | 3,812.06 | (49.03) | 3,865.65 | 0.10 | - | - | - | 3,865.55 | 7,726.64 |
| Technology for: | | | | | | | | | | | |
| Pumps | 19.77 | - | - | - | 19.77 | 19.77 | - | - | - | 19.77 | - |
| Designs and drawings | 2,262.06 | - | - | (0.95) | 2,261.11 | 1,296.63 | 321.43 | - | (0.65) | 1,617.41 | 965.43 |
| Computer software | 1,617.85 | 864.62 | 0.62 | (2.76) | 2,479.09 | 1,095.03 | 323.77 | 0.12 | (2.52) | 1,416.16 | 522.82 |
| (B) | 11,626.42 | 864.62 | 3,812.68 | (52.74) | 8,625.62 | 2,411.53 | 645.20 | 0.12 | (3.17) | 3,053.44 | 9,214.89 |
| Total (A + B) | 44,744.59 | 14,445.05 | 6,527.70 | (186.01) | 52,475.93 | 10,191.02 | 3,055.50 | 296.74 | (94.07) | 12,855.71 | 34,553.57 |
| March 31, 2012 | 41,974.31 | 3,886.36 | 636.22 | (479.86) | 44,744.59 | 7,956.34 | 2,639.32 | 248.04 | (156.60) | 10,191.02 | 34,553.57 |

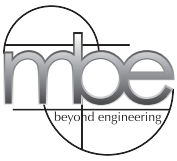
a) Addition for Tangible Assets include :

Rs. 1337 Lakhs (31.03.2012 Rs. Nil) being borrowing cost capitalised during the year.

Notes to the Consolidated Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|---|-------------------------|-------------------------|
| 14 NON-CURRENT INVESTMENTS | | |
| Trade Investments (Valued at Cost) | | |
| (a) Quoted Equity Shares | | |
| Investment in Associates | | |
| 18971166 (2011-12:8971166) Equity Shares in Hyward Tyler Group Plc (formerly known as Specialist Energy Group Plc). of 1 penny each fully paid Including Goodwill on investment in associates of Rs. 16395 Lacs | 9,415.30 | 4,605.99 |
| (b) Unquoted Equity Shares | | |
| NIL (March 31,2012 - 24,970) Equity Shares of Rs. 10 each fully paid in Jayamkondam Lignite Power Corporation Limited | – | 2.50 |
| Other Than Trade Investments (Valued at cost) | | |
| (a) Quoted Equity Instruments | | |
| 10,960 (March 31,2012 - 10,960) Equity Shares of Rs. 5 each fully paid up in Eveready Industries India Ltd. | 2.28 | 2.28 |
| 10,960 (March 31,2012 - 10,960) Equity Shares of Rs. 5 each fully paid up in Mcleod Russel India Ltd. | 2.28 | 2.28 |
| (b) Unquoted Equity Instruments | | |
| – 100 shares of Rs. 25/- each of Co Operative Bank of Baroda Ltd | 0.03 | 0.03 |
| – 100 shares of Rs. 10/- each fully paid-up of McNally Bharat Co-operative Credit Society Limited | 0.01 | 0.01 |
| | 9,419.90 | 4,613.09 |
| Aggregate amount of quoted Investments | 9,419.86 | 4,610.55 |
| Market value of quoted investments | 4,412.99 | 2,013.76 |
| Aggregate amount of unquoted Investments | 0.04 | 2.54 |
| 15 CURRENT INVESTMENTS | | |
| (a) Mutual Funds (Unquoted) : | | |
| Investment in 383.925 (March 31,2012-383.925 Units) of IDFC Liquid Fund-Growth (Valued at cost) | 7.02 | 7.02 |
| | 7.02 | 7.02 |
| Aggregate amount of unquoted Investments | 7.02 | 7.02 |
| 16 LONG-TERM LOANS AND ADVANCES | | |
| Secured considered good: | | |
| Unsecured Considered Good (Unless otherwise stated): | | |
| Capital Advances | 91.82 | 529.34 |
| Security Deposits | 310.26 | 259.68 |
| Other Loans and Advances | | |
| Balances with Government Authorities | 0.46 | 0.46 |
| Others | 3,609.31 | 890.32 |
| | 4,011.85 | 1,679.80 |



Notes to the Consolidated Financial Statements for the year ended 31.03.2013

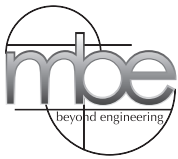
(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| 17 OTHER NON-CURRENT ASSETS | | |
| Long term trade recivables: | | |
| Unsecured Considered Good | 876.43 | 523.20 |
| Others : | | |
| Long term deposits with banks | 262.16 | – |
| Margin Money Deposit | 64.37 | 0.79 |
| Preliminary expenses not written off | 0.11 | 0.22 |
| | 1,203.07 | 524.21 |
| 18 INVENTORIES | | |
| Raw Materials | 13,915.56 | 12,756.05 |
| Work-in-progress | 9,349.13 | 8,664.74 |
| Finished Goods | 36.49 | 41.86 |
| Loose Tools | 95.21 | 82.30 |
| Stock in trade | – | – |
| Stores and Spares | 1,086.91 | 990.66 |
| Stores and Spares in Transit | – | 6.46 |
| | 24,483.30 | 22,542.07 |
| 19 TRADE RECEIVABLES | | |
| Secured - Considered Good | | |
| Outstanding for a period exceeding six months from the date they are due for payment | 206.04 | 1,704.54 |
| Other Debts | 2,066.20 | 331.57 |
| | 2,272.24 | 2,036.11 |
| Unsecured - Considered Good | | |
| Outstanding for a period exceeding six months from the date they are due for payment | 26,487.30 | 20,398.54 |
| Other Debts | 133,699.73 | 129,001.23 |
| | 160,187.03 | 149,399.77 |
| Unsecured - Considered Doubtful | | |
| Outstanding for a period exceeding six months from the date they are due for payment | 1,191.49 | 1,312.02 |
| Other Debts | 29.97 | – |
| | 1,221.46 | 1,312.02 |
| Less : Provision for doubtful debts | 1,221.46 | 1,312.02 |
| | 162,459.27 | 151,435.88 |

Notes to the Consolidated Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| 20 CASH AND BANK BALANCES | | |
| Cash & Cash Equivalents | | |
| Cash on Hand | 103.23 | 93.31 |
| Cheques on Hand | – | 40.80 |
| Remittance in Transit | 13.39 | – |
| Bank Balances | | |
| Bank Balances in Current Account | 3,990.22 | 5,355.56 |
| Demand Deposits (Less than 3 months maturity) | 399.02 | 33.88 |
| Other Bank Balances | | |
| Long term deposits with maturity more than 3 months but less than 12 months | 436.40 | 9.77 |
| Margin Money Deposit | 372.80 | 34.81 |
| Unpaid Dividend Account | 30.41 | 32.66 |
| | <u>5,345.47</u> | <u>5,600.79</u> |
| 21 SHORT-TERM LOANS AND ADVANCES | | |
| Secured considered good | | |
| Others | 2.15 | 111.97 |
| Unsecured considered good | | |
| Other Loans & Advances | | |
| Advance Income Tax | 308.08 | – |
| Income Tax Refund Receivable | 811.37 | 1,893.27 |
| Balance with Statutory / Government Authorities | 7,551.31 | 5,472.90 |
| Security Deposits | 247.59 | 184.68 |
| Prepaid Expenses | 334.92 | 254.02 |
| Advance to Supplier & Others | 16,996.24 | 16,923.89 |
| Employee Advance | 59.36 | 69.18 |
| Advance Tax Paid | 0.19 | 0.66 |
| Others | 152.19 | 2,183.87 |
| | <u>26,463.40</u> | <u>27,094.44</u> |
| 22 OTHER CURRENT ASSETS | | |
| Unsecured Considered good : | | |
| Due from Customers [Refer note (a)] | 49,055.05 | 22,690.70 |
| Interest Receivable | 24.86 | 1.71 |
| Asset held for disposal | 908.86 | 166.92 |
| Receivable for sale of tangible assets | 42.81 | 2,018.00 |
| Unamortised Expenses : | | |
| Current portion of Foreign Currency Monetary item translation difference account | 172.40 | 154.28 |
| Others | 128.18 | 1,967.32 |
| | <u>50,332.16</u> | <u>26,998.93</u> |
| (a) Excess of cost incurred and profit/loss recognised as per AS 7 over actual sales billing. | | |



Notes to the Consolidated Financial Statements for the year ended 31.03.2013

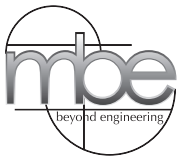
(All figures in Rs. Lacs, unless otherwise stated)

| | Year Ended March 31, 2013 | Year Ended March 31, 2012 |
|--|------------------------------|------------------------------|
| 23 REVENUE FROM OPERATION | | |
| Sale of Equipments & Contract Revenue | 268,568.06 | 261,666.34 |
| Sale of Services | 1,683.23 | 4,569.52 |
| Other Operating Revenue : | | |
| Duty Drawback | 26.13 | 43.76 |
| Sale of Scrap | 1,723.55 | 827.52 |
| Energy Income - Wind Mill | 112.08 | 111.14 |
| Agency Income | 5.81 | 23.30 |
| Misc. Income | 12.63 | 30.11 |
| | <u>1,880.20</u> | <u>1,035.83</u> |
| Total | 272,131.49 | 267,271.69 |
| Less: Excise Duty | <u>3,924.71</u> | <u>2,953.59</u> |
| | <u>268,206.78</u> | <u>264,318.10</u> |
| | <u>268,206.78</u> | <u>264,318.10</u> |
| 24 OTHER INCOME | | |
| Interest Income | 488.80 | 283.28 |
| Dividend Income | | |
| From Long Term Investments Other than trade | 0.66 | 0.60 |
| Net Gain/(Loss) on sale of Investment | | |
| Long term Trade investment | - | 425.93 |
| Current Investment | 0.07 | 2.48 |
| Foreign Currency Translation Gain | - | 469.30 |
| Liabilities no longer required written back | 481.94 | 559.56 |
| Profit on Sale of Fixed Assets (net) | 165.49 | 0.65 |
| Rental Income | 76.44 | 78.00 |
| Miscellaneous Income | 859.76 | 653.48 |
| | <u>2,073.16</u> | <u>2,473.28</u> |
| 25 COST OF MATERIALS CONSUMED | | |
| Raw Material Consumed | | |
| Opening Inventory | 12,756.05 | 7,317.96 |
| Add : Purchases | 46,592.54 | 58,042.06 |
| Less : Inventory at the end of the year | <u>13,915.56</u> | <u>12,756.05</u> |
| Cost of Raw Materials consumed during the year | 45,433.03 | 52,603.97 |
| Consumption of bought out Components and related Spare | 82,592.63 | 79,637.66 |
| | <u>128,025.66</u> | <u>132,241.63</u> |

Notes to the Consolidated Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | Year Ended March 31, 2013 | Year Ended March 31, 2012 |
|---|------------------------------|------------------------------|
| 26 EMPLOYEE BENEFIT EXPENSES : [REFER NOTE NO 36] | | |
| Salaries, Wages & Bonus | 27,358.43 | 25,699.57 |
| Contribution to Provident Fund | 747.17 | 823.22 |
| Contribution to Super Annuation Fund | 18.51 | 20.27 |
| Contribution to Gratuity Fund | 154.64 | 141.32 |
| Workmen and Staff Welfare Expenses | 3,657.11 | 2,949.50 |
| | <u>31,935.86</u> | <u>29,633.88</u> |
| 27 FINANCE COST | | |
| Interest Expense | 12,396.86 | 8,060.09 |
| Other Borrowing Costs | 923.37 | 741.40 |
| Net Loss on foreign currency transactions and translation | 363.07 | 449.05 |
| | <u>13,683.30</u> | <u>9,250.54</u> |
| 28 OTHER EXPENSES | | |
| Consumption of Stores & Spare Parts | 2,384.71 | 2,816.29 |
| Power & Fuel | 2,301.73 | 2,218.28 |
| Rent | 2,746.34 | 2,400.48 |
| Repairs to Buildings | 106.96 | 109.03 |
| Repairs to Machinery | 357.66 | 514.74 |
| Repairs to Others | 110.49 | 134.10 |
| Insurance | 706.59 | 651.06 |
| Freight | 849.24 | 591.88 |
| Payment to Auditors : | | |
| As Auditors : | | |
| Audit Fees | 120.68 | 71.16 |
| Other Fees | 115.53 | 45.73 |
| For Other Services | 99.23 | 59.89 |
| For reimbursement of expenses | 3.59 | 1.04 |
| Director Fees | 120.82 | 26.40 |
| Rates & Taxes | 702.93 | 547.19 |
| Impairment loss on Investment | 3,507.48 | - |
| Cartage & Freight | 5,472.06 | 5,847.46 |
| Bank Charges | 2,472.55 | 2,319.38 |
| Professional Services | 5,540.67 | 4,328.79 |
| Travelling | 3,956.76 | 3,765.94 |
| Loss on Foreign Exchange Fluctuation | 251.16 | - |
| Loss on Derivatives - Mark to Market Valuation | 1,301.40 | (485.29) |
| Bad Debts | 176.19 | - |
| Miscellaneous Expenses | 3,808.61 | 7,932.12 |
| | <u>37,213.38</u> | <u>33,895.67</u> |



Notes to the Consolidated Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|---|-------------------------|--------------------------|
| 29 CHANGES IN INVENTORIES OF FINISHED GOODS WORK-IN-PROGRESS | | |
| Opening Stock | | |
| Work-in-Progress | 8,664.74 | 6,768.12 |
| Finished Goods | 41.86 | 51.94 |
| | <u>8,706.60</u> | <u>6,820.06</u> |
| Less: | | |
| Closing Stock | | |
| Work-in-Progress | 9,349.13 | 8,664.74 |
| Finished Goods | 36.49 | 41.86 |
| | <u>9,385.62</u> | <u>8,706.60</u> |
| | <u>(679.02)</u> | <u>(1,886.54)</u> |

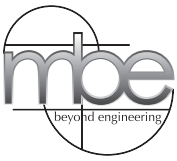
30 The Company has allotted 1,75,000 Convertible Warrants of Rs 186/- each on 12th March, 2010 (convertible within eighteen months from the date of allotment in one or more tranches) and 3,35,000 Convertible Warrants of Rs 186/- each on 13th August, 2010 (convertible within twelve months from the date 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. The Company had called up and received 25% of the face value against allotment of each such warrant in previous financial years and the balance amount is due to be received by the Company during the Financial Year 2011-12. None of the warrant holders has exercised the option; hence the entire amount of Rs 237 Lakhs, representing 25% of the face value, has been forfeited by the Company and transferred to capital reserve of the Company.

31 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 unilaterally 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 encumbrance free land for widening of road and non-availability of construction drawings on time by PWD. The company has a legitimate claim of Rs. 1517 lacs towards receivable (included in Note No.19) and Rs.1133 lacs on account of deposit against Performance Guarantee (included in Note No.21). Elsamex S.A. moved to arbitration and had claimed an amount of Rs.7334 lacs 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 award in favour of Elsamex S A. Under the award, a total amount of Rs.3535 lacs 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.

Notes to the Consolidated Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| 32 LEASES | | |
| As a Lessee | | |
| The company has significant operating leases for premises. These lease arrangements include both cancellable and non-cancellable. Most of the leases are renewable for further period on mutually agreeable term. The aggregate lease rentals payable are charged as Rent under Note No. 28. With respect to non-cancellable operating leases, the future minimum lease payments are as follows: | | |
| Not later than one year | 526.87 | 523.30 |
| Later than one year and not later than five years | 212.87 | 215.34 |
| Later than five years | - | - |
| 33 INFORMATION IN ACCORDANCE WITH AS-7 CONSTRUCTION CONTRACTS, IN RESPECT OF CONTRACTS IN PROGRESS AS AT YEAR END DATE | | |
| Contract costs incurred | 847,065.45 | 635,791.30 |
| Add: Recognised profits net of recognised losses | 63,371.57 | 54,862.80 |
| Contract Revenues | 910,437.02 | 690,654.10 |
| Progress billing | 871,475.76 | 692,639.92 |
| Unbilled revenue (Net) | 38,961.26 | (1,985.83) |
| Due from customers | 49,055.05 | 22,690.70 |
| Due to customers | 10,093.79 | 24,708.16 |
| Advance payments received | 40,567.89 | 27,270.94 |
| Amount of retentions | 76,518.07 | 71,735.59 |
| 34 PROVISIONS FOR LIQUIDATED DAMAGES | | |
| The company 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: | | |
| Opening Balance | 1,180.35 | 1,232.03 |
| Additional provision during the year | - | - |
| Provision utilised during the year | (6.00) | - |
| Provision written back | (180.24) | (51.68) |
| Closing Balance | 994.11 | 1,180.35 |
| Included in provision for doubtful debt | 644.85 | 800.37 |
| Included in other provision | 349.26 | 379.98 |
| In certain cases liquidated damages is not readily ascertainable. | | |



Notes to the Consolidated Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|---|-------------------------|-------------------------|
| 35 PROVISIONS FOR WARRANTIES | | |
| The Company warrants 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: | | |
| Opening Balance | 709.78 | 447.07 |
| Additional provision during the year | 54.96 | 320.54 |
| Provision reversed during the year | (70.44) | (8.16) |
| Provision utilised during the year | (229.18) | (49.67) |
| Closing Balance | 465.12 | 709.78 |

36

A. GRATUITY (FUNDED)

The Company operates a gratuity for certain employees. The same is payable at the time of separation from the Company or retirement, whichever is earlier. The benefits vest after five years of continuous service.

(i) Reconciliation of Opening and Closing balances of the Present Value of the Defined Benefit Obligation

| | | |
|--|-------|-------|
| (a) Present Value of Obligation at the beginning of the year | 1,587 | 1,328 |
| (b) Current Service Cost | 145 | 174 |
| (c) Interest Cost | 131 | 120 |
| (d) Actuarial (Gains)/Losses | (134) | 102 |
| (e) Benefits Paid | (210) | (137) |
| (f) Present Value of Obligation at the end of the year | 1,519 | 1,587 |

(ii) Reconciliation of the Opening and Closing balances of Plan Assets

| | | |
|--|-------|-------|
| (a) Fair Value of Plan Assets at the beginning of the year | 1,145 | 998 |
| (b) Expected Return on Plan Assets | 101 | 89 |
| (c) Actuarial Gains/(Losses) | 3 | (2) |
| (d) Contributions by employer | 173 | 198 |
| (e) (Benefits paid) | (210) | (138) |
| (f) Fair Value of Plan Assets at the end of the year | 1,212 | 1,145 |

(iii) Amount recognised in current year and previous four years

| | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 |
|--|---------|---------|---------|---------|---------|
| (a) Present Value of Obligation as at the end of the year | 1,521 | 1,587 | 1,328 | 1,091 | 781 |
| (b) Fair Value of Plan Assets as at the end of the year | 1,212 | 1,145 | 998 | 826 | 596 |
| (c) Liabilities recognized in the Balance Sheet | (308) | (442) | (330) | (265) | (184) |
| (d) Experience (Gain)/loss adjustments on plan liabilities | (134) | 101 | 61 | 65 | 2 |
| (e) Experience Gain/(loss) adjustments on plan assets | 3 | 1 | (1) | (0) | (1) |

Notes to the Consolidated Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| (iv) Expense recognised in the Statement of Profit and Loss | | |
| (a) Current Service Cost | 145 | 174 |
| (b) Interest Cost | 131 | 120 |
| (c) (Expected Return on Plan Assets) | (101) | (89) |
| (d) Actuarial (Gains)/Losses on defined benefit Obligation | (134) | 102 |
| (e) Actuarial Losses/(Gains) on plan Assets | (3) | 2 |
| (f) Total Expense recognized and included | 38 | 309 |
| (v) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets | | |
| (a) Fund with LIC | 100.00% | 99.91% |
| (b) Balance with Bank | 0.00% | 0.09% |
| Total | 100.00% | 100.00% |
| (vi) Actual Return on Plan Assets | 102 | |

B. LEAVE ENCASHMENT (UNFUNDED)

The Company has leave encashment plan for certain employees. Employees are entitled to cash equivalent of accumulated leave days earned during their service period. The same is payable at the time of separation from the Company or retirement, whichever is earlier.

(i) Reconciliation of Opening and Closing balances of the Present Value of the Defined Benefit Obligation

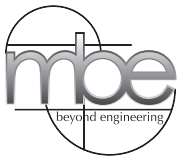
| | | |
|--|-------|-------|
| (a) Present Value of Obligation at the beginning of the year | 871 | 688 |
| (b) Current Service Cost | 131 | 95 |
| (c) Interest Cost | 71 | 63 |
| (d) Actuarial (Gains)/Losses | (45) | 140 |
| (e) Benefits Paid | (119) | (115) |
| (f) Present Value of Obligation at the end of the year | 909 | 871 |

(ii) Net Asset / (Liability) recognised in the Balance Sheet

| | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 |
|--|---------|---------|---------|---------------|---------------|
| (a) Present Value of Obligation as at the end of the year | 909 | 871 | 688 | 414 | 244 |
| (b) Fair Value of Plan Assets as at the end of the year | - | - | - | - | - |
| (c) Liabilities recognized in the Balance Sheet | (909) | (871) | (688) | (414) | (244) |
| (d) Experience Gain/(loss) adjustments on plan liabilities | (45) | 140 | 228 | Not Available | Not Available |

(iii) Expense recognised in the Profit and Loss Account

| | | |
|------------------------------|------|-----|
| (a) Current Service Cost | 131 | 95 |
| (b) Interest Cost | 71 | 63 |
| (c) Actuarial (Gains)/Losses | (45) | 140 |
| (d) Total Expense recognized | 157 | 298 |



Notes to the Consolidated Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| C SICK LEAVE (UNFUNDED) | | |
| The Company allows certain employees to accumulate and carry forward sick leave days earned. Sick leave is not encashable. | | |
| (i) Reconciliation of Opening and Closing balances of the Present Value of the Defined Benefit Obligation | | |
| (a) Present Value of Obligation at the beginning of the year | 328 | 222 |
| (b) Current Service Cost | 39 | 35 |
| (c) Interest Cost | 28 | 22 |
| (d) Actuarial (Gains)/Losses | (61) | 49 |
| (e) Present Value of Obligation at the end of the year | 334 | 328 |
| (ii) Net Asset / (Liability) recognised in the Balance Sheet | | |
| | 2012-13 | 2011-12 |
| (a) Present Value of Obligation as at the end of the year | 334 | 329 |
| (b) Fair Value of Plan Assets as at the end of the year | - | - |
| (c) Liabilities recognized in the Balance Sheet | 334 | 329 |
| (d) Experience Gain/(loss) adjustments on plan liabilities | 61 | (49) |
| (iii) Expense recognised in the Profit and Loss Account | | |
| (a) Current Service Cost | 39 | 35 |
| (b) Interest Cost | 28 | 22 |
| (c) Actuarial (Gains)/Losses | (61) | 49 |
| (d) Total Expense recognized | 6 | 106 |
| D GRATUITY (UNFUNDED) | | |
| The Company operates a gratuity for certain employees. The same is payable at the time of separation from the Company or retirement, whichever is earlier. The benefits vest after five years of continuous service. | | |
| (i) Reconciliation of Opening and Closing balances of the Present Value of the Defined Benefit Obligation | | |
| (a) Present Value of Obligation at the beginning of the year | 4 | |
| (b) Current Service Cost | 2 | |
| (c) Interest Cost | 1 | |
| (d) Actuarial (Gains)/Losses | (1) | |
| (e) Present Value of Obligation at the end of the year | 6 | |
| (ii) Net Asset / (Liability) recognised in the Balance Sheet | | |
| | 2012-13 | |
| (a) Present Value of Obligation as at the end of the year | 6 | |
| (b) Fair Value of Plan Assets as at the end of the year | - | |
| (c) Liabilities recognized in the Balance Sheet | 6 | |
| (d) Experience Gain/(loss) adjustments on plan liabilities | - | |
| (iii) Expense recognised in the Profit and Loss Account | | |
| (a) Current Service Cost | 2 | |
| (b) Interest Cost | 1 | |
| (c) Actuarial (Gains)/Losses | (1) | |
| (d) Total Expense recognized | 1 | |

Notes to the Consolidated Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|---|---|--|
| E Principal Actuarial Assumptions made by the actuary for valuation of the above mentioned employee benefits | | |
| (a) Discount Rate (Per annum) | 7.5% - 8.25% | 7.50% |
| (b) Expected Rate of Return on Plan Assets (Per annum) | 8.5% - 9% | 8.50% |
| (c) Rate of Salary Increase (Per annum) | 4% - 5% | 7.50% |
| (d) Mortality Rate | In accordance with standard table LIC (1994-96) ultimate and in accordance with Standard Table Indian Assured Lives Mortality (2006-2008) ultimate. | In accordance with standard table LIC (1994-96) ultimate |

F The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. (a) 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.

G Provident Fund

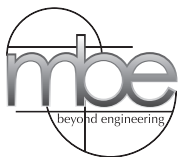
Provident fund for certain eligible employees is managed by the Company through various funds in line with local laws and regulations. For the Indian entities the plan guarantees interest at the rate notified by the Provident Fund Authorities. The contribution by the employer and employee together with the interest accumulated thereon are payable to employees at the time of their separation from the company or retirement, whichever is earlier. The benefits vest immediately on rendering of the services by the employee. The Guidance on Implementing AS 15, Employee Benefits (Revised 2005) issued by Accounting Standard Board (ASB) states that benefits involving employers established provident funds, which require interest shortfalls to be compensated are to be considered as defined benefit plans. The Actuarial Society of India has issued the final guidance for measurement of provident fund liabilities. The actuary has accordingly provided a valuation and there is no additional liability as at 31st March, 2013, in respect of interest rate guarantee .

H Disclosures included are limited to the extent of disclosures provided by the actuary

I Company's best estimate of contribution expected to be paid to the Funds in the next year

| | | |
|----------------|--------|--------|
| Gratuity Fund | 204.22 | 112.44 |
| Provident Fund | 468.14 | 397.91 |

Information pertaining to the year required to be considered as per AS-15 is disclosed to the extent given by actuaries.



Notes to the Consolidated Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|---|-------------------------|-------------------------|
| 37 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 1301.40 Lacs in respect of outstanding derivative contracts at the balance sheet date by marking them to market. | | |
| 38 Research and Development Expenditure | | |
| 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 Consolidated Statement of Profit and Loss account respectively. Accordingly R & D revenue expenditure incurred during the year debited to various account heads is Rs. 230.32 Lacs (2011-12: Rs. 222.53 Lacs) and on account of capital expenditure is Rs. 101.63 Lacs (2011-12: Rs. 179.55 Lacs) | | |
| 39 SEGMENT REPORTING | | |
| The company has only one “Business segment” and one “Geographical segment” as defined in Accounting Standard - 17 on “Segment Reporting”. | | |
| 40 (a) Estimated amount of Contracts remaining to be executed on capital account and not provided for | 314.42 | 790.80 |
| (b) Claims against the company not acknowledged as debt | 100.00 | 100.00 |
| (c) Other money for which the Company is contingently liable: | | |
| (i) Excise Duty matters pending in appeal related to issues of applicability and classification | 215.00 | 215.00 |
| (ii) Sales Tax/VAT matters pending in appeal relating to disputes regarding assessable value and exemptions claimed | 2,996.46 | 2,949.93 |
| (iii) Service Tax Matters pending in appeal relating to issues of applicability | 21.20 | 72.00 |
| (iv) Corporate guarantees given | 36,024.00 | 32,182.00 |
| (v) Other guarantees given | 3,200.00 | 3,200.00 |
| (vi) Standby letter of credit | 1,670.00 | 4,860.00 |
| (vii) Other demands related to claims made by certain ex-employees towards employee benefits due to them | 2.11 | 27.00 |
| (viii) Other commitments | - | 0.31 |

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

Notes to the Consolidated Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|--|---------------------------------------|-------------------------|
| 41 RELATED PARTY DISCLOSURES | | |
| Related party disclosures as required by Accounting Standard 18 on Related Party Disclosures are given below: | | |
| (i) Relationships : | | |
| Key Management Personnel | | |
| Mr. Deepak Khaitan | - Executive Chairman (MBECL) | |
| Mr. Prasanta Kumar Chandra | - Whole Time Director and COO (MBECL) | |
| Mr. Prabir Ghosh | - Whole Time Director and Group CFO | |
| (ii) The following transactions were carried out with the related parties in the ordinary course of business: | | |
| Remuneration Paid | | |
| Mr. Deepak Khaitan | 306.28 | 176.45 |
| Mr. Prasanta Kumar Chandra | 154.33 | 138.02 |
| Mr. Prabir Ghosh | 155.13 | 139.31 |
| Mr. Subir Chaki | 102.00 | 27.00 |
| Mr. Sambhu Prasad | - | 235.00 |
| Mr. G Mustafi | 73.51 | 71.29 |
| Advance Paid (Mr. Sambhu Prasad) | 26.00 | 30.00 |
| Dividend Paid | 0.03 | 0.04 |
| 42 EARNINGS PER SHARE | | |
| Number of Equity Shares at the beginning of the year. | 31,093,818 | 31,093,818 |
| Number of Equity Shares at the 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 | (2,185.92) | 6,562.57 |
| Less: Dividend on Preference Shares | 7.56 | - |
| Profit after Taxation available for equity shareholders. | (2,193.48) | 6,562.57 |
| Face Value of Each Equity Share (Rs.) | 10.00 | 10.00 |
| Earnings Per Share - Basic (Rs.) | (7.05) | 21.11 |
| Earnings Per Share - Diluted (Rs.) | (7.05) | 21.11 |
| 43 SECURED LONG TERM BORROWINGS | | |

(All figures in Rs. Lacs, unless otherwise stated)

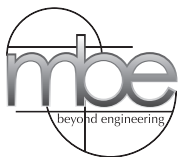
| | Classified as Non Current | | Classified as Current | |
|-------------|---------------------------|-------------------------|-------------------------|-------------------------|
| | As at March 31, 2013 | As at March 31, 2012 | As at March 31, 2013 | As at March 31, 2012 |
| Term Loan | | | | |
| From Bank | 24,673.57 | 15,689.31 | 4,776.70 | 6,506.53 |
| From Others | 1.59 | 16.37 | 36.58 | 47.19 |
| | <u>24,675.16</u> | <u>15,705.68</u> | <u>4,813.28</u> | <u>6,553.72</u> |

(a) Repayment terms and nature of securities given for term loan are as follows :

| Name of Lender | As at March 31, 2013 | As at March 31, 2012 | Nature of Security | Repayment Terms |
|---------------------------------|----------------------|----------------------|---|---|
| DBS Bank Ltd. | 2,085.44 | 3,382.86 | Exclusive charge on the entire fixed assets procured from ECB loan of USD 9.5 Million with assets cover of 1.50 times charge to be created in 6 months from first disbursal. | Loans will be repaid in 4 installments payable at the end of 12, 24, 36 & 48 months respectively. Months Repayment (%) 12 10.00 24 20.00 36 30.00 48 40.00 Total 100.00 |
| ICICI Bank Ltd. | 3,841.60 | 3,580.50 | First charge by way of hypothecation on moveable assets / equipments both present and future with minimum asset cover of 1.25 times on outstanding ECB facility | The Borrower shall repay the total drawn down amount in ten semi annually installments commencing from the end of 30 months from the date of first drawdown. |
| Development Credit Bank Ltd. | 687.50 | 2,062.50 | First charge on pari passu basis on all the fixed assets of the company and first charge on pari passu basis on all the moveable fixed assets of Kumadhubi (Unit -II), Bangalore unit & Asansol unit (these units now held in the books of McNally Sayaji Engineering Ltd), other than those assets exclusively charged to other banks/ financial institutions, wherever situated present and future. | Tenor : 3 Years 2 months. Repayments within 3 years 2 months from the date of disbursal by way of 14 equal quarterly installments. |
| Bank of India | – | 2.78 | Secured by hypothecation of asset acquired out of the said loan | Original Loan amount- Rs 7,72,000 which is repayable in 36 monthly equated installments falling due on 7th of every month. |
| ICICI Banking . Corporation Ltd | – | 2.78 | Secured by hypothecation of asset acquired out of the said loan | Original Loan amount- Rs 7,72,000 which is repayable in 36 monthly equated installments falling due on 7th of every month. |
| Tata Capital Ltd. | 38.17 | 57.55 | Secured by hypothecation of asset acquired out of the said loan | Repayable in 36 monthly equated installments. |
| ICICI Bank Ltd. | 8,050.12 | 7,690.70 | Secured by first pari pasu charge on all moveable and immoveable fixed assets of MBECL both present and future and first pari pasu charge over the immoveable and moveable fixed assets of the company (excluding Kumardhubi plant-Unit 1). The facility is also guaranteed by Holding Company. | Repayable in half yearly installments. |
| Kotak Mahindra Prime | 4.61 | 6.01 | Secured by hypothecation of motor vehicles acquired out of these loans | Repayable in 60 equal monthly installments. |
| HDFC Bank | – | 4.27 | Secured by hypothecation of motor vehicles acquired out of these loans | Repayable in monthly installments. |
| ICICI Bank Ltd. | 3,607.10 | 5,116.50 | Irrevocable and unconditional corporate guarantee from MBECL which shall be valid throughout the tenure of the facility guaranteeing all obligations of the borrower. MBECL's corporate guarantee will be capped at an amount of 110% of the facility amount. Provided the guarantee from MBECL shall be released proportionately from time to time upon repayment/prepayment of the Facility. | Repayments in 6 equal half yearly installments. |
| Axis Bank | 6,209.08 | – | Secured by corporate guarantee from MBECL. | Repayments in quarterly installments |
| Axis Bank | 1,631.46 | – | Secured by corporate guarantee from MBECL. | Payable on 1 installments |
| HDFC Bank Ltd. | – | 0.46 | Secured by hypothecation of asset acquired out of the said loan | Repayable in monthly equated installments. |
| DBS Bank | 3,264.36 | – | Rs 3,225 Lakhs secured by first pari passu charge on all moveable and immoveable fixed assets of the Company (excluding Kumardhubi plant - Unit 1) both present and future. Above facility is also guaranteed by Holding Company. | Repayable in 13 installments starting from May, 2017 |
| Karur Vysya Bank | 69.00 | 352.49 | Secured by first pari passu charge on land situated in Asansol together with building and plant and machinery erected thereon | Repayable in monthly installments with applicable rate of Bank Rate plus 0.75% p.a.. |
| | 29,488.44 | 22,259.40 | | |

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|---|-------------------------|-------------------------|
| 44 SECURED SHORT-TERM BORROWINGS | | |
| Loan Repayable on demand : | | |
| From Banks | 62,984.94 | 48,089.80 |
| From Others (Commercial Papers) | 2,500.00 | — |
| | 65,484.94 | 48,089.80 |
| Particulars | | |
| (a) A first pari passu charge by way of hypothecation of the current assets viz., stocks of raw materials, semi-finished goods, finished goods, stores and spares, bills receivables including receivables from hire purchase/leasing, book debts and other movable assets of the Borrower, both present and future, in a form and manner acceptable to the BOI Consortium; and first pari passu charge in favour of the said Banks by way of third party charge on the movable and fixed assets of the Kumardhubi Division owned by McNally Sayaji Engineering Company Limited, (a company incorporated under the Companies Act, 1956 and having its registered office at 4, Mangoe Lane, 7th floor, Kolkata 700001 and hereinafter referred to as "McNally Sayaji Engineering Company Limited") and more fully described in Schedule IV herein in a form and manner acceptable to the BOI Consortium. A corporate guarantee from McNally Sayaji Engineering Company Limited in favour of the BOI Consortium equivalent to the value of the property to be mortgaged by McNally Sayaji Engineering Company Limited in a form and manner acceptable to the BOI Consortium. | 44,855.94 | 34,502.17 |
| (b) HDFC Bank Ltd:- Pari passu Hypothecation charge on retention money of RINL project, SAIL ISCO Steel Plant, Burnpur and BHEL projects amounting to Rs 184.00 crores along with other lenders. | 5,000.00 | — |
| (c) Karur Vysya Bank Ltd:- Pari passu Hypothecation charge on retention money of RINL project, SAIL ISCO Steel Plant, Burnpur and BHEL projects amounting to Rs 184.00 crores along with other lenders. | 2,500.00 | — |
| (d) Cash Credit and Working Capital Demand Loan from ICICI Bank, DBS Bank & ING Vysya Bank Limited secured by first pari passu charge on entire current assets of the Company. Cash Credit Facilities and working capital demand loan from State Bank of India is secured by first pari passu charge on entire current assets of the company together with land and windmill machinery at Jamnagar. | 6,171.37 | 7,409.34 |
| (e) ICICI Bank Limited : Secured by first charge by way of hypothecation of Company's entire stock of raw materials, work-in-progress, semi-finished and finished goods, consumable Stores and spares and other movables including book-debts, bills whether documentary or clean, outstanding monies, receivables, both present and future, in a form and manner satisfactory to the Bank, ranking pari passu with other participating bank, if any. Interest is payable on such facility at I-Base + spread is 4% and its effective rate as on balance sheet date is 13.75% (Previous Year 14%). ING Vysya Bank Limited : Secured by first charge by way of hypothecation of Company's entire stock of raw materials, work-in-progress, semi-finished and finished goods, consumable Stores and spares and other movables including book-debts, bills whether documentary or clean, outstanding monies, receivables, both present and future, in a form and manner satisfactory to the Bank, ranking pari passu with other participating bank, if any. Interest is payable on such facility at IVRS Plus 300 bps and its effective rate as on balance sheet date is 13.45%. Secured by Corporate Guarantee of McNally Bharat Engineering Limited (MBECL) in favour of ICICI Bank Limited and ING Vysya Bank Limited | 1,105.14 | 764.27 |
| (f) Secured by Corporate Guarantee of McNally Bharat Engineering Limited (MBECL) in favour of ICICI Bank Limited, Axis Bank, Commerzbank & Bayern LB. | 5,852.49 | 5,414.02 |
| | 65,484.94 | 48,089.80 |



Notes to the Consolidated Financial Statements for the year ended 31.03.2013

(All figures in Rs. Lacs, unless otherwise stated)

| | As at March 31, 2013 | As at March 31, 2012 |
|---|-------------------------|-------------------------|
| 45 INVESTMENTS | | |
| The following table includes the classification of investments in accordance with AS 13 : Accounting for Investments | | |
| Current Investments | | |
| Investment in 383.925 (March 31,2012-383.925 Units) of IDFC Liquid Fund-Growth (Valued at cost) | 7.02 | 7.02 |
| Total Current Investments | <u>7.02</u> | <u>7.02</u> |
| Long Term Investments | | |
| Quoted Equity Shares | | |
| 18,971,166 (2011-12: 8971166) Equity Shares in Specialist Energy Group of 1 penny each fully paid | 9,415.30 | 4,605.99 |
| 10,960 (March 31,2012 - 10,960) Equity Shares of Rs. 5 each fully paid up in Eveready Industries India Ltd. | 2.28 | 2.28 |
| 10,960 (March 31,2012 - 10,960) Equity Shares of Rs. 5 each fully paid up in Mcleod Russel India Ltd. | 2.28 | 2.28 |
| Unquoted Equity Shares | | |
| NIL (March 31,2012 - 24,970) Equity Shares of Rs. 10 each fully paid in Jayamkondam Lignite Power Corporation Limited | - | 2.50 |
| 100 shares of Rs25/- each of Co Operative Bank of Baroda Ltd | 0.03 | 0.03 |
| 100 shares of Rs10/- each fully paid-up of McNally Bharat Co-operative Credit | 0.01 | 0.01 |
| Total Long Term Investments | <u>9,419.90</u> | <u>4,613.09</u> |
| Total Investments (Current and Long Term) | <u>9,426.92</u> | <u>4,620.11</u> |
| Disclosure under : | | |
| Non Current Investments (Refer note 14) | 9,419.90 | 4,613.09 |
| Current Investments (Refer note 15) | 7.02 | 7.02 |
| Total | <u>9,426.92</u> | <u>4,620.11</u> |

46 Previous year's figures have been rearranged and / or regrouped wherever necessary to make them comparable with that of current year.

Signatories to notes 1 to 46

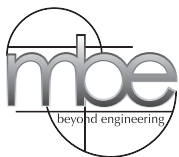
For **Lovelock & Lewes**
Firm Registration Number 301056E
Chartered Accountants
Prabal Kr. Sarkar
Partner
Membership No. 52340
Kolkata, 29th May, 2013

Deepak Khaitan - Executive Chairman
Prasanta Kumar Chandra - Wholetime Director & COO
Prabir Ghosh - Wholetime Director & Group CFO
Sukanta Chattopadhyay - V.P. Commercial & Company Secretary

Consolidated Cash Flow Statement for the year ended 31st March, 2013

(All figures in Rs. Lacs, unless otherwise stated)

| | Year ended 31st March, 2013 | Year ended 31st March, 2012 |
|---|--------------------------------|--------------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit Before Tax | (261.50) | 8,515.38 |
| Adjustments for : | | |
| Depreciation and amortization expenses | 3,055.50 | 2,639.32 |
| Finance Cost | 13,683.30 | 9,250.54 |
| Interest Income | (488.80) | (283.28) |
| Dividend Income | (0.66) | (0.60) |
| Loss/(Profit) on Sale of Fixed Assets (Net) | (165.49) | (0.65) |
| Loss/(Profit) on Sale of Current Investment (Net) | (0.07) | (2.48) |
| Bad Debts | 176.19 | - |
| Impairment loss on Investment | 3,507.48 | - |
| Liabilities no longer required written back | (481.94) | (559.56) |
| Unrealised Loss/ (Gain) on Foreign Currency Translation (Net) | 848.03 | (3,647.84) |
| Unrealised Loss/(Gain) on Derivative Contracts | 1,301.40 | (485.29) |
| | 21,434.94 | 6,910.16 |
| Operating Profit Before Working Capital Changes | 21,173.44 | 15,425.54 |
| Adjustments for : | | |
| (Increase) / Decrease in Trade and other receivable | (38,629.95) | (11,504.73) |
| (Increase) / Decrease in Inventories | (1,941.24) | (7,551.92) |
| Increase / (Decrease) in Trade Payable & Other payable | 5,601.86 | (2,038.00) |
| Cash generated from/ (used in) Operations | (13,795.89) | (5,669.11) |
| Direct Taxes Paid (net of refund received) | (769.67) | 77.75 |
| | (769.67) | 77.75 |
| Net Cash from/ (used in) Operating Activities | (14,565.56) | (5,591.36) |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (7,134.29) | (6,181.72) |
| Sale of Fixed Assets | 2,744.21 | 897.53 |
| Interest Received | 438.52 | 513.82 |
| Dividend Received | 0.66 | 0.60 |
| Investment in Associates | (4,806.82) | - |
| Net Proceeds from Sale of Current Investment | 0.07 | 22.24 |
| Purchase of Non Current Investment during the year | - | (1,915.50) |
| Increase/Decrease in Other Bank Balance | (1,026.79) | 86.99 |
| | (9,784.44) | (6,576.04) |
| Net Cash from/ (used in) Investing Activities | (9,784.44) | (6,576.04) |



Consolidated Cash Flow Statement for the year ended 31st March, 2013

(All figures in Rs. Lacs, unless otherwise stated)

| | Year ended 31st March, 2013 | Year ended 31st March, 2012 |
|--|--------------------------------|--------------------------------|
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Interest Paid | (13,454.23) | (9,148.47) |
| Proceeds from Issue of Non-Convertible Redeemable Preference Share Capital | 825.00 | - |
| Proceeds from Securities Premium | 2,888.40 | - |
| Proceeds / (Refund) of share warrants application money | - | (230.14) |
| Proceeds from Long Term Borrowings | 9,063.36 | 3,661.11 |
| Repayment of Long Term Borrowings | (1,871.61) | (4,897.10) |
| Proceeds from Other Borrowings (Net) | 26,097.08 | 17,807.35 |
| Dividend paid (including tax thereon) | (444.82) | 23,103.18 |
| | <u>23,103.18</u> | <u>(468.14)</u> |
| Net Cash from/ (used in) Financing Activities | 23,103.18 | 6,724.61 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (1,246.82) | (5,442.79) |
| Cash and Cash Equivalents (Opening Balance) | 5,523.55 | 10,028.76 |
| [Refer Note No. 20 to Accounts] | | |
| Cash and Cash Equivalents (Closing Balance) | 4,276.73 | 4,585.97 |

Notes to the Cash Flow Statement for the year ended 31st March, 2013

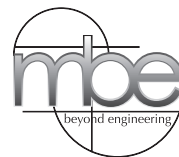
- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement.
- Schedule referred to above forms an integral part of the Consolidated Cash Flow Statement.
- Previous year's figure have been rearranged and/or regrouped wherever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

| | | |
|---|-----------------|-----------------|
| Cash & Cash Equivalents as above | 4,276.73 | 4,585.97 |
| Unrealised Gain on Foreign Currency Cash and Cash Equivalents | 229.13 | 937.58 |
| Cash and Cash Equivalents (Note 20) | 4,505.86 | 5,523.55 |

This is the Cash Flow Statement referred to in our report of even date.

For **Lovelock & Lewes**
Firm Registration Number 301056E
Chartered Accountants
Prabal Kr. Sarkar
Partner
Membership No. 52340
Kolkata, 29th May, 2013

Deepak Khaitan - Executive Chairman
Prasanta Kumar Chandra - Wholetime Director & COO
Prabir Ghosh - Wholetime Director & Group CFO
Sukanta Chattopadhyay - V.P. Commercial & Company Secretary



McNALLY BHARAT ENGINEERING COMPANY LIMITED

Regd. Office : 4 Mangoe Lane, Kolkata - 700 001

NOTICE

NOTICE is hereby given that the Fiftieth Annual General Meeting of the Members of McNally Bharat Engineering Company Limited will be held on Friday, September 27, 2013, at 11:00 a.m at Eastern Zonal Cultural Centre, Purbasree, IB 201, Sector – 3, Salt Lake City, Kolkata – 700106 (Near Salt Lake Stadium and AMRI Hospital, Salt Lake), to transact the following business:

Ordinary Business

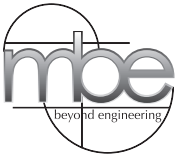
1. To receive, consider and adopt the Balance Sheet as at March 31, 2013, the Profit and Loss account for the year ended on that date and the Report of the Directors and Auditors thereon.
2. To declare a dividend on Equity Shares for the financial year ended March 31, 2013.
3. To declare a dividend on Non-convertible Redeemable Preference Shares for the financial year ended March 31, 2013.
4. To appoint a Director in place of Mr. Amritanshu Khaitan, who retires by rotation and, being eligible, seeks re-appointment.
5. To appoint a Director in place of Mr. P H Ravikumar, who retires by rotation and, being eligible, seeks re-appointment.
6. To appoint a Director in place of Mr. Aditya Khaitan, who retires by rotation and, being eligible, seeks re-appointment.
7. 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.

Kolkata
May 29, 2013

By Order of the Board of Directors
For McNally Bharat Engineering Company Limited
S Chattopadhyay
Vice President – Commercial & Company Secretary

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 20, 2013 to September 27, 2013 (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. The dividend, as recommended by the Board of Directors, that may be declared by the Company at the Fiftieth Annual General Meeting will be paid on or before October 25, 2013 to those members whose name appear on the Register of Members as on September 27, 2013.
7. 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.
8. Members whose shares are held in dematerialized form are requested to inform change in address and updates of savings bank account details to their respective depository participants. Dividends in respect to such shares held in dematerialized form shall be credited to the beneficial owners' savings bank account directly through National Electronic Clearing Services (NECS), subject to the availability of such bank details.



9. Members holding shares in physical form and desirous of having NECS facility, should provide their bank details and 9 digit MICR to the RTA of the Company immediately. The Members who have already given their bank details should furnish the same only if there is any change.
10. Members who are holding shares in physical form are requested to notify change in address, if any, to the Company's RTA quoting their Folio Number. Members holding shares in dematerialized form, should intimate change of their address, if any, to their Depository Participant.
11. 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:

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.
12. The Securities and Exchange Board of India (SEBI) vide Circular Ref.No.MRD/DoP/Cir-05/2007 dated April 27, 2007 made PAN mandatory for all securities market transactions. Thereafter, vide Circular No.MRD/DoP/Cir-05/2009 dated May 20, 2009 it was clarified that for securities market transactions and off market/private transactions involving transfer of shares in physical form of listed Companies, it shall be mandatory for the transferee(s) to furnish copy of PAN Card to the Company/RTA for registration of such transfer of shares.

SEBI further clarified that it shall be mandatory to furnish a copy of PAN in the following cases:

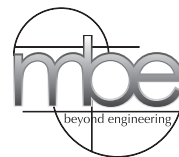
 - i) Deletion of name of the deceased shareholder(s), where the shares are held in the name of two or more shareholder(s).
 - ii) Transmission of shares to the legal heir(s), where deceased shareholder was the sole holder of shares.
 - iii) Transposition of shares - when there is a change in the order of names in which physical shares are held jointly in the names of two or more shareholders.
13. 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
14. The Ministry of Corporate Affairs (MCA), Government of India, has by its Circular Nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively, permitted companies to send official documents to their shareholders electronically in compliance of Section 53 of the Companies Act, 1956 as part of its green initiatives in corporate governance. Thus the Company is sending documents like the Notice convening the Annual General Meeting, Annual Reports and other documents to the email addresses provided by the Members to the Company or the Registrar and Share Transfer Agents of the Company.
15. The information as required to be provided in terms of the Listing Agreement with the Stock Exchanges regarding the Directors who are proposed to be appointed/re-appointed is annexed.
16. Members desiring any information as regards the Accounts are requested to write to the Company at least seven days prior to the meeting so as to enable the Management to keep the information ready at the Meeting.

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. Amritanshu Khaitan |
| Date of Birth | November 7, 1982 |
| Date of Appointment | October 31, 2006 |
| Expertise in specific functional areas | Business Executive |
| Qualifications List of outside Directorships held | B. Com (Hons.), MBA (London) 1. Eveready Industries India Limited 2. Kilburn Engineering Limited 3. Litez India Limited 4. Ichamati Investments Limited 5. Nitya Holdings & Properties (P) Limited 6. Queens Park Property Co. Limited 7. United Machine Co. Limited 8. Seajuli Developers & Finance Limited 9. Prana Lifestyle Private Limited |
| 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 March 31, 2013 | 8,000 |

| | |
|--|--|
| Name of Director | Mr. Aditya Khaitan |
| Date of Birth | January 30, 1968 |
| Date of Appointment | June 27, 2011 |
| Expertise in specific functional areas | Business Executive |
| Qualifications List of outside Directorships held | B. Com (Hons.) 1. Williamson Magor & Company Limited 2. McLeod Russel India Limited 3. Eveready Industries India Limited 4. Williamson Financial Services Limited 5. Babcock Borsig Limited 6. Woodside Parks Limited 7. D1 Williamson Magor Bio Fuel Limited |
| 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 | Chairman: 1. D1 Williamson Magor Bio Fuel Limited Member: 1. Babcock Borsig Limited |
| b) Remuneration Committee | Chairman: 1. D1 Williamson Magor Bio Fuel Limited Member: 1. Babcock Borsig Limited |
| Shareholding in the Company as on March 31, 2013 | Nil |



McNALLY BHARAT ENGINEERING COMPANY LIMITED

Regd. Office : 4 Mangoe Lane, Kolkata -700001

**ATTENDANCE SLIP
50th 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 Fiftieth Annual General Meeting of the Company to be held on Friday, the 27th day of September, 2013, at 11:00 a.m at Eastern Zonal Cultural Centre, Purbasree, IB 201, Sector – 3, Salt Lake City, Kolkata – 700106 (Near Salt Lake Stadium and AMRI Hospital, Salt Lake).

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, Kolkata -700001

**PROXY FORM
50th Annual General Meeting**

| |
|--------------------|
| DP ID |
| Regd. Folio. No. * |

| |
|---------------|
| CLIENT ID |
| No. of Shares |

I/ Webeing 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 Fiftieth Annual General Meeting of the Company to be held on Friday, the 27th day of September, 2013, at 11:00 a.m at Eastern Zonal Cultural Centre, Purbasree, IB 201, Sector – 3, Salt Lake City, Kolkata – 700106 (Near Salt Lake Stadium and AMRI Hospital, Salt Lake), or/ and at any adjournment thereof.

Signed by the said

* 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 Copmany Limited

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