

*Annual  
Report*

2007-2008



A vision of

an expanding universe



**McNally Bharat  
Engineering Co Limited**

## **DIRECTORS**

D. Khaitan	Chairman
S. P. Singhi	Vice Chairman
V. K. Verma	
S. K. Pasari	
U. Parekh	
C. K. Pasari	
U. S. Chaturvedi	(Nominee of GIC – upto 31.01.2008)
A. Khaitan	
S. R. Dasgupta	
S. Singh	Managing Director

## **COMPANY SECRETARY**

D. Chatterjee

## **BANKERS**

Bank of India  
AXIS Bank Limited  
Canara Bank  
ICICI Bank Limited  
ING Vysya Bank Limited  
Industrial Development Bank of India Ltd.  
Indian Overseas Bank  
Oriental Bank of Commerce  
State Bank of India  
The Karur Vysya Bank Limited  
UCO Bank  
United Bank of India  
Union Bank of India

## **REGISTERED OFFICE**

4 Mangoe Lane, 7th Floor, Kolkata 700 001  
Phone : +91 (033) 6550 0725-39, 2213 8905, 2240 0340/5016  
E-mail : mbecal@mbecl.co.in

## **AUDITORS**

Lovelock & Lewes

## **SOLICITORS**

Khaitan & Co.  
S. K. Sawday & Co.

## **REGISTRARS & SHARE TRANSFER AGENTS**

Meheswari Datamatics Private Limited.  
6 Mangoe Lane, 2nd Floor, Kolkata 700 001  
Phone : 2243-5029/5809

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## FIVE YEAR FINANCIAL HIGHLIGHT

### Profit & Loss Account

(Rs. Crore)

Item	2004	2005	2006	2007	2008
Total Income	202.00	287.00	335.00	510.00	550.00
EBIDTA	8.25	11.51	18.07	30.82	43.44
PBT	1.59	3.45	6.60	20.08	32.30
PAT	1.50	2.63	5.25	17.50	22.40
Gross Dividend payout	–	0.56	1.51	3.13	3.70

### Balance Sheet

Item	2004	2005	2006	2007	2008
Share Capital	19.78	19.78	26.46	26.78	28.68
Reserves	16.51	16.32	52.40	69.48	129.30
Net Worth	33.06	35.12	68.81	88.65	152.78
Loan Funds	41.72	61.44	79.54	117.28	62.64
Capital Employed	78.61	98.70	159.50	214.25	221.77
Net Fixed Assets	41.85	43.38	52.91	56.56	80.52
Net Working Capital	35.60	54.10	103.38	153.07	126.54

### Ratios & Statistics

Item	2004	2005	2006	2007	2008
EBIDTA/Total Income (%)	4.08	4.04	5.39	5.94	7.89
PBT/Total Income (%)	0.78	1.21	1.97	3.87	5.87
Debt : Equity Ratio	1.27:1	1.78:1	1.17:1	1.32:1	0.40:1
ROCE (%)	10.78	12.06	12.95	15.11	15.40
RONW (%)	8.40	14.43	15.40	22.22	20.42
Current Ratio (Times)	1.28	1.36	1.61	1.65	1.29
Earnings per Share (Rs)	0.76	1.33	2.26	6.60	8.10

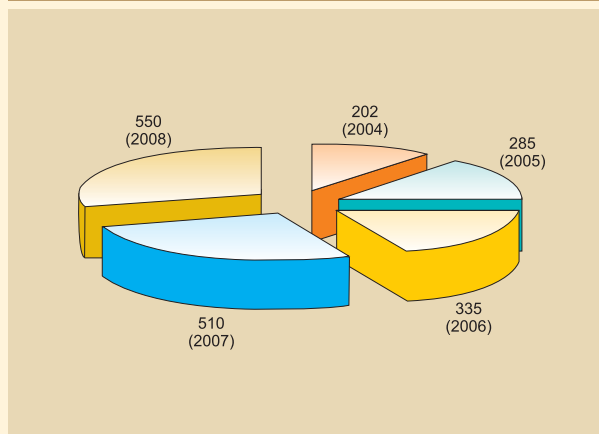
### Note

ROCE = Return on Capital Employed

RONW = Return on Net Worth

**TOTAL INCOME**

Rs. Crore


**DIRECTORS' REPORT**

Your Directors have great pleasure in presenting the Fortyfifth Annual Report together with audited statement of accounts for the year ended 31st March, 2008.

**HIGHLIGHTS**

The key highlights of the operations for the financial year 2007-08 over the previous year are :

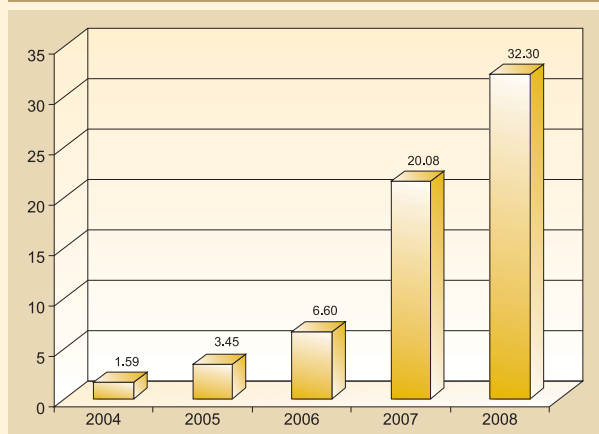
- Total Income increased by 8%
- Earnings before Interest, Depreciation and Taxes increased by 41%
- Profit before Tax increased by 61%
- Earnings per Share increased by 23%

**FINANCIAL RESULTS**

The financial performance of the Company for the year ended 31st March, 2008 is summarized below:

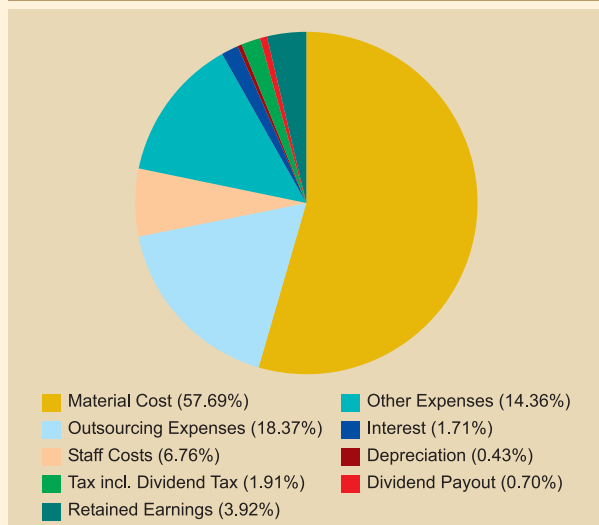
**PBT**

Rs. Crore



Rs. in '000

Particulars	Year ending 31st March 2008	Year ending 31st March 2007
<b>Sales (net of excise) and other income</b>	<b>5,500,574</b>	<b>5,096,275</b>
<b>Profit before Interest, Depreciation, Tax &amp; Amortisation</b>	<b>434,521</b>	<b>308,292</b>
Less : Interest	88,937	90,240
Depreciation & Amortisation	22,535	17,219
<b>Profit before Tax</b>	<b>323,049</b>	<b>200,833</b>
Less : Provision for Taxation	85,591	20,259
Provision for Fringe Benefit Tax	5,513	3,596
Provision for Deferred Tax	7,945	1,932
<b>Profit after Tax (A)</b>	<b>224,000</b>	<b>175,046</b>
<b>Amount brought forward from Previous year (B)</b>	<b>249,952</b>	<b>106,237</b>
Profit after Tax available for Appropriations (A+B)	473,952	281,283
Provision for Dividend	31,094	26,780
Provision for Dividend Tax	5,284	4,551
Dividend for last year	636	—
Corporate Dividend Tax for last year	116	—
<b>Balance carried forward to Balance Sheet</b>	<b>436,822</b>	<b>249,952</b>

**DISTRIBUTION OF INCOME (FY '08)**

**OPERATIONS AND BUSINESS PERFORMANCE**

Your Directors have the pleasure to inform you that while your company has achieved a turnover of Rs. 550.05 crores during the year 2007-08 registering a growth of about 9% over the previous year's turnover of Rs. 509.62 crores, the

profit before tax has increased to Rs. 32.30 crores in 2007-08 from Rs. 20.08 crores of the previous years, registering a growth of about 60%. Order backlog as on the close of the year was Rs. 2323 crores compared to that of order backlog of Rs. 1160 crores during the previous year registering a growth of more than 100%.

Orders for further Rs. 650 crores have been booked during the first quarter 2008-09 and additional orders of approximately Rs. 1500 crores are expected to be booked during the current year. The Company expects more than 100% growth in turn over i.e. approximately Rs. 1200 crores in 2008-09 compared to that of about Rs. 550.05 crores during the year 2007-08.

Your Company has been acknowledged in the industry to be one of the most reliable, well performing, well equipped and trustworthy EPCM (Engineering Procurement Construction Management) company in India. Keeping the projections of industrial growth and the favoured status of the Company in view, a turn over target of Rs. 5000 crores has been fixed for the year 2014-15. Actions have been initiated for enhancing resources to meet the ambitious targets by way of doubling the factory capacity at Kumardhubi, setting up a new factory at Asansol on a land of approximately 30 acres, setting up a new factory at Bangalore on a land of about 5 acres with the overall investment of nearly Rs. 60 crores.

Besides the expansion of the factories, it has already set in motion acquisition of established manufacturing units having synergetic business with the company. The recent being Sayaji Iron & Engineering Co Ltd at Baroda wherein the company has already initiated actions and legal formalities are in process. A 100% subsidiary company viz. McNally Bharat Infrastructure Ltd has been floated to aggressively enter into the infrastructure segment of the business. A new Cell for Business Development and International Marketing has been set up to expand the organization organically and inorganically in domestic and overseas market.

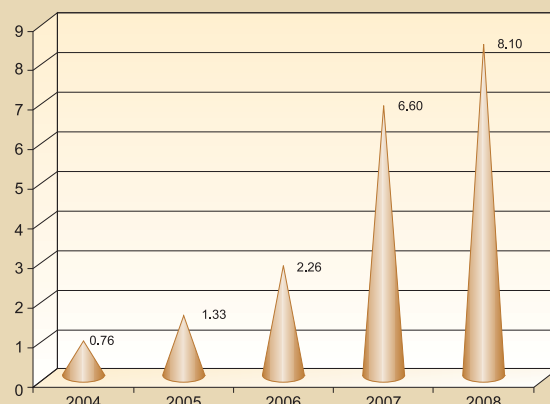
Company has already expanded its engineering base by adding highly qualified & experienced engineers to meet the growing turn over targets. Research & Development wing of the company is being strengthened to meet the challenging overseas competition. Company's Strategic Business Units are executing jobs in hand which are expected to be completed as per customers' requirement.

## DIVIDEND

Your Board is pleased to recommend a dividend of 10% (i.e. Re.1/- per share) on equity shares of Rs.10/- each for the

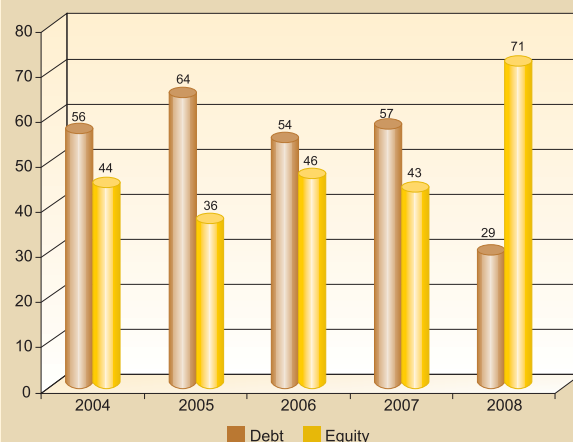
## EARNINGS PER SHARE

Rs.



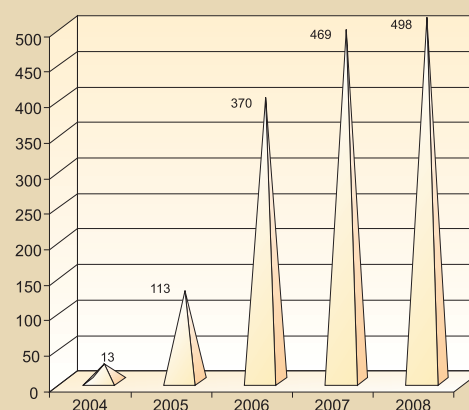
## GEARING

%



## MARKET CAPITALISATION

Rs. Crore



financial year 2007-08. The dividend, if approved at the ensuing annual general meeting, will be paid on or before 13th October, 2008 to those shareholders whose names appear on the register of members of the company as on 15th September, 2008.

The dividend would be tax-free in the hands of the shareholders.

In accordance with the regulatory requirements the shares allotted on conversion of FCCBs on or before the record date will also be eligible for dividend for 2007-08 and accordingly provision has been made thereof.

## **FIXED DEPOSITS**

There was no outstanding on account of Deposits from the Public as on 31st March, 2008.

## **CAPITAL STRUCTURE**

During the year, your Company has converted FCCBs worth US\$ 6 million into equity shares at a Rs.143/- per shares and accordingly 19,07,412 equity shares were allotted to the holders of these FCCBs.

The paid up equity share capital of your company as on 31st March, 2008 stands increased to Rs. 2868.71 lakhs and as on date of this Report the paid up share capital stood at Rs.3109.38 lakhs consequent to issue of 953,706 equity shares on conversion of FCCBs worth US\$ 3 million and 14,53,000 equity shares on conversion of equal number of Warrants on 4th April, 2008.

The funds raised through the allotment of FCCBs and Convertible Warrants were utilized for purpose for which it was issued.

## **SUBSIDIARIES**

The Subsidiaries of the Company, EWB Kornyezetvedelmi Kft. and EWB-MBE International Kornyezetvedelmi Kft. in Hungary continued in development stage. During the year ended 31st December, 2007 the net income after providing provision for taxes in the companies were HUF 84,74,000 and HUF 1,06,000 as compared to HUF 3,19,000 and loss of HUF 17,60,000 during the previous year. The Annual accounts and reports of the subsidiaries as on 31st December, 2007 along with statements pursuant to Section 212 of the Companies Act, 1956, forming a part of this annual report are enclosed.

Your Company has further launched two subsidiaries namely McNally Bharat Infrastructure Limited and McNally Bharat Equipments Limited. These subsidiaries will play a key role of specializing in their respective areas of activities with appropriate financial models and latest technology and collaborations. There were no activities of the said subsidiaries before 31st March 31, 2008 and investments in equity thereof were made during the year 2008-09.

Your Company has identified an acquisition opportunity to bring in technological synergy and add sizable volume to its equipment business. Your Board of Directors at its meeting held on 16th May, 2008 has decided to acquire 68.28% stake in Sayaji Iron & Engineering Company Limited, Vadodara. The Shares of Sayaji Iron are listed on Vadodara Stock Exchange, Ahmedabad Stock Exchange and Delhi Stock Exchange. Sayaji Iron was incorporated in December 1943 under the Baroda State Companies Act, 1918 as a private company. It became a deemed public company in July 1988 and subsequently it was converted into a public limited company in 1994. During the financial year 2006-07 Sayaji Iron reported revenues worth Rs.52.12 crores and net profit of Rs. 6.50 crores.

## **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 2008-2009 for shareholders approval.

## **AUDITORS' REPORT**

The observations of Auditors are explained where necessary in the appropriate notes to the accounts. As regards investments in Jayamkondam Lignite Power Corporation Ltd. (JLPC), the Company is confident of recovering value of the advance and investments in JLPC.

## **INSURANCE**

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

## **DIRECTORS**

In accordance with the Articles of Association of the company, Mr. D. Khaitan, Mr.V. K. Verma and Mr. C.K. Pasari, Directors retire by rotation at the Company's forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. The brief profiles of these Directors are given in the Annexure to the Notice of the Annual General meeting for the reference of the members.

Mr. U.S. Chaturvedi, ceased to be a Director of the Company with effect from 31st January, 2008 consequent to withdrawal of his nomination by the General Insurers' (Public Sector) Association of India. The Board wishes to place on record its appreciation for the valuable contribution made by Mr. U.S. Chaturvedi during his tenure as a Director.

## **CONSERVATION OF ENERGY RESEARCH AND DEVELOPMENTS, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO**

The particulars as prescribed under Section 217(1)(e) of the Companies At, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988 are set out in the Annexure A to the Directors' Report.

## **PARTICULARS OF EMPLOYEES**

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of employees are set out in the Annexure B to the Directors' Report.

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

A detailed Management Discussion and Analysis Report is provided in the Annexure C to the Director Report.

## **CORPORATE GOVERNANCE**

The Company has complied with the mandatory provisions of the Corporate Governance as prescribed in the Clause 49 of the Listing Agreement with the Stock Exchanges. Risk assessment and its minimization procedures have been laid down by the Company and full implementation of these procedures is still in progress. A detailed report on the Corporate Governance is given in to Annexure D to the Director Report.

## **RESEARCH AND DEVELOPMENT**

Details in regard to Research and Development are shown in Annexure A.

## **LISTING OF THE SHARES AT STOCK EXCHANGES**

The equity shares of the Company were listed on the Stock Exchange Mumbai (BSE) under Scrip Code No. 532629 and ISIN No. INE748A01016 and on the National Stock Exchange under the symbol MBECL.



**HEALTH AND SAFETY**

The Company gives utmost importance to the health and safety of the employees and all others influenced by the operations of the Company. Various seminars and training programs related to safety were arranged throughout the year to continue emphasis on awareness of the importance of safety among the employees, including Safety Exhibition celebrating National Safety Day and observing the National Safety Week.

**COMMUNITY CARE SERVICES**

Your Company firmly believes that it is integral part of the social fabric and populace it caters to and Kumardhubi Drinking Water distribution is a noticeable example of this. The Company has always considered its social responsibility as a part of its governance.

**DIRECTORS RESPONSIBILITY STATEMENT**

In terms 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 2007-08 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 an on going concern basis.

**CONSOLIDATED FINANCIAL STATEMENT**

In accordance with the accounting standard (AS-21) on consolidated financial statements, your Directors are pleased to attach the consolidated financial statements, which form part of the Annual Report and Accounts.

**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 other stakeholders, investors including bankers and other business associates, who have extended their valuable support and encouragement. The Directors look forward to their continued support and understanding in the years to come.

On behalf of the Board of Directors

Kolkata, 14th June, 2008

D. KHAITAN  
Chairman

## **ANNEXURE A TO THE 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**

There were no major steps considered necessary for energy conservation. Routine steps like strict control and monitoring of usage, good upkeep and tuning of equipments like DG Sets and AC Units have resulted in optimal usage of electrical parts.

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

As stated nothing substantial to report.

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

##### **SPECIFIC AREAS IN WHICH R & D CARRIED OUT BY THE COMPANY**

##### **1. Development of New Products.**

- 1.1 Design of 1400 x 2500 Toothed Double Roll Crusher for Cold Sinter.
- 1.2 Development of 30 KW Vibrator for High Particle Acceleration Screen.
- 1.3 Development of largest size of Rod Mill, 4.4 m diameter x 6.3 m long.
- 1.4 Development of largest size of Ball Mill, 4.4 m diameter x 7.5 m long.

##### **2. Product Improvement:**

- 2.1 Electrical heating arrangement of Grinding Wall for Reversible Hammer Mill.
- 2.2 Design Optimization of 3.2 m diameter, 3.6 m diameter & 4.4 m diameter Ball Mill.
- 2.3 New design of Exciter for Vibrating Screen for further cost reduction.
- 2.4 Design improvement of 3 m x 9 m Scrubber for capacity enhancement..

#### **C. TECHNOLOGY ABSORPTION**

##### **1. EFFORTS, IN BRIEF, MADE TOWARDS TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION.**

- 1.1 Single Roll Crusher with hydraulic adjustment based on AUBEMA Technology.
- 1.2 High capacity Reversible Hammer Mill for Lignite crushing based on AUBEMA technology.
- 1.3 Exciter unit for Linear Motion Vibrating Screen as per SIEBTECHNIK Technology.
- 1.4 Development of 2.2 m x 8.6 m Linear Motion Screen as per Siebtechnik design.

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

The Company has been able to add new equipment and also widen its range of products to be more competitive against Indian, as well as, Foreign Companies in various areas of infrastructure development.

##### **3. IMPORTED TECHNOLOGY**

As stated above.



**D. FOREIGN EXCHANGE EARNINGS & OUTGO**

		Rs.'000
Foreign Exchange Earnings	Export on FOR Works basis	72,308
	Others	27,128
	Royalty & Technical Know-how Fees	19,048
	Traveling	4,757
	CIF value of Component & Spare parts	112,356
	Others	859
	Expenditure in Foreign Currency - Others	122,039

**ANNEXURE B TO THE DIRECTORS' REPORT**

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975 and forming part of the Directors' Report for the year ended 31st March, 2008

Employee Name	Designation	Qualification	Age	Joining Date	Experience (Years)	Gross Remuneration (Rs.)	Previous Employment- Designation
Chandra Prasanta Kumar	Sr. V.P. (Projects Div.)	B.E. (Mech), AICWA, PGDM	51	24.01.2003	30	31,70,400	P.T. Texmaco. –Sr. Manager – Project Monitoring
Ghosh Prabir Kumar	Chief Financial Officer	B.Com(Hons) CA	49	01.11.2001	26	37,46,400	IFB Agro Industries Ltd –President
Nandi Arup Kanti	V.P & Business Head (Steel Plant Projects & Port & Stockyard Machinery)	AMII (Chemical Engineer)	52	24.09.1987	28	25,50,480	Nirlon Synthetic Fibers Ltd –Technical Sales & Service Engineer
Prasad Shanbhu	Sr. V.P. (Products Div.)	BSc , Engg. (Mechanical)	59	29.02.1984	37	37,99,600	Tega India Ltd – Senior Contract Engineer
Sarkar Arindam	V.P (SBU – E & C)	B.E. (Civil)	54	01.12.1998	32	27,10,020	Dykerhoff & Widdman AG, Germany –Manager – Engineering
Sarkar Dipankar	V.P (SBU – Ash Handling)	M.E. (Mech) PGCGM (IIM, Cal)	52	25.08.2000	29	26,01,480	DC Industrial Plant Services Ltd. – General Manager
Singh Srinivash	Managing Director	B.Com, ACS, AICWA, LLB	62	01.12.1968	43	1,13,94,000	MKW International Ltd. – Executive

## **ANNEXURE C TO THE DIRECTORS' REPORT MANAGEMENT DISCUSSION & ANALYSIS REPORT**

### **INDUSTRY STRUCTURE AND DEVELOPMENT**

Your Company has achieved a turnover of Rs.547 crs approx. registering a growth of about 9% over the previous year's turnover of Rs.502. Profit before tax increased from Rs.20 crs to Rs.32 crs and profit after tax also increased from Rs.17 crs to Rs.22 crs. The earning per share increased to Rs.8.10 per share from Rs.6.60 per share.

The eleventh Five Year Plan envisages total investment in physical infrastructure like electricity, railways, roads, ports, airports, irrigation, urban and rural water supply and sanitation to increase from around 5% of GDP in 2006-07 to 9% of GDP by the end of the plan period if the targeted rate of growth of 9% for the Eleventh Five Year Plan (2007 – 12) is to be achieved. Consistent with the above projection, the investment in physical infrastructure alone during the Eleventh Five Year Plan has been estimated to be about Rs.2002 thousand crores (at 2006-07 prices).

Infrastructure sector in India is expected to see consistent capacity creation. All the major ports are gearing up to increase their cargo handling capability under NMDP. Steel sector is expected to build additional capacity and State owned SAIL has already carrying out major brownfield expansion in all its existing steel plants across the country. Private steel majors like TISCO, Jindal Group are also contemplating major capacity expansion. In non ferrous sector like aluminum, zinc and copper, additional capacity is being created by both the public sector companies as well as the private players like Vedanta Group and Hindalco. Power sector in India is expected to put up 55000 MW additional generating capacity over next five years. MBE is an important solution provider to all the sectors and expects to benefit from the volume growth in capacity across the above space.

### **OPPORTUNITIES AND THREATS**

Your Company identifies this major growth across the above sectors as a major opportunity. The market acceptance of quality contractors and value added products should also provide opportunities to increase margin level of your Company's products across the sectors. Increase in input costs specially the cost of steel, copper and other base metals may act as a major threat which may adversely affect the fixed price contracts. Your Company has already put effective monitoring cell to deal in these areas effectively.

### **SEGMENTWISE OR PRODUCT WISE 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**

Considering the buoyant market situation and expected investment in infrastructure sector across the country, your Company expects strong double digit growth in future years. Effective steps have already been taken to mobilize resources to cater to the growth plan. Your Company has already raised adequate funding and has fixed up access to funding for its future plans. The manufacturing capacity in its Plants at Kumardhubi and Bangalore has already been expanded to accommodate expanded activities. The Company is also setting up new factories at Asansol on a land of approximately 30 acres and at Bangalore on a land of about 5 acres with the overall investment of nearly Rs. 60 crores. Your Company has added adequate man-power across the line to handle to its growth.

### **RISKS & CONCERNS**

The Engineering and Construction business by its nature is exposed to risks at various stages. The estimation, bidding, execution and final handover to client pose varying degrees of risk. The Company has initiated a systematic approach to identify, analyse, manage and mitigate these risks. The IT infrastructure to support this approach is under implementation. The Company is also implementing a control self-assessment tool to assist in evaluating the effectiveness of internal control framework for financial reporting established by the Company.

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

Your Company has a detailed well spelt internal control system in place to ensure that all financial, commercial and legal transactions are fully authorized, recorded and correctly reported. The Audit Committee of the Board of Directors reviews the adequacy of the Internal Control System. The Company's Internal Audit Department is in charge for periodically carrying out detailed audit of the transactions of the Company at various sites, manufacturing locations and offices in order to ensure that recording and reporting are adequate and as per the policy of the



Company. The Internal Auditors periodically physically verify safeguarding of the Company's assets and ensure that there is no unauthorized usage. The assets are kept in proper conditions and are covered under adequate insurance.

The Audit Committee of the Board of Directors reviews all internal audit reports and their findings and suggest corrective measures to the Management for implementation. The Company during the year appointed Earnst & Young to design risk management model for the Company in order to ensure that all the risks are identified, monitored and properly hedged against all possible losses. The system has already been implemented and Chief Risk Officer has been assigned with co-ordination of the risk management function of the Company.

#### **FINANCIAL PERFORMANCE**

During the year, your Company recorded commendable growth in its performance both in terms of sales and profitability. While the total income of the Company has grown up by 8 %, the Profit Before Tax has gone up by 60% and earnings per share has up by 23%, i.e. from Rs. 6.60 per share to Rs.8.10 per share. Based on the business scenario within the country and Company's expanded capability, the Company has set a higher benchmark of performance during the year 2008-09. The Board expects this growth trend, both in terms of profitability and sales, to be maintained in the coming years.

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

The success of the Company is in attracting, retaining and deploying good quality Human Resources. The Company has drawn up a plan to fulfill all the manpower requirements in the shortest possible time and staff all its various projects being executed all over the world.

Your Company considers its human resources as its valuable asset. The industrial relations during the year have been cordial. The number of permanent employees as on 31.3.2008 is 885. During the year, the Company successfully implemented in-house development of fresh engineering graduates towards future fast track managers.

#### **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 factor 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 assured.

## 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 31 March, 2008 are given hereunder divided into the following areas :

#### I Company's Philosophy

The Company continues to commit itself to maintaining the highest standards of integrity, transparency and accountability in all facets of its operations and to create Shareholders' value on a sustainable basis. McNally Bharat 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 nine members at the end of the financial year, consisting of eight Non-executive Directors who account for more than 88.89 percent of the Board's strength as against minimum requirement of fifty percent as per the listing agreement. The Non-executive Directors are eminent professionals, drawn from amongst persons with experience in business and industry, finance, law and public enterprises. The Composition is as under :

Names of Directors	Category of Directors	No. of other Directorships held #		No. of other Board Committee(s) of which he/she is a member	No. of other Board Committee(s) of which he/she is a Chairperson	No. of Shares held in the Company as at 31.03.2008
		Public	Private			
Mr. D. Khaitan – Chairman	Promoter-Non Executive	7	–	2	–	–
Mr. S.P. Singhi – Vice Chairman	Promoter-Non Executive	6	3	–	–	–
Mr. V.K. Verma	Independent-Non Executive	–	–	–	–	700
Mr. U. Parekh	Independent-Non Executive	12	–	7	–	100
Mr. C.K. Pasari	Independent-Non Executive	4	7	–	–	–
Mr. S.K. Pasari	Independent-Non Executive	2	9	–	–	–
Mr. A. Khaitan	Promoter-Non Executive	4	3	–	–	–
Mr. S.R. Dasgupta	Independent-Non Executive	2	–	–	–	–
Mr. S. Singh	Executive-Managing Director	–	–	–	–	900
Mr. U.S. Chaturvedi*	Independent-Non Executive (Nominee of GIC)	–	–	–	–	–

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

\* Withdrawn with effect from January 31st, 2008.

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

No convertible instruments are held by non-executive directors.



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

Name of the Directors	Sitting fees paid during the year
	Rupees
Mr. Deepak Khaitan	50,000
Mr. S. P. Singhi	165,000
Mr. V. K. Verma	45,000
Mr. U. S. Chaturvedi	15,000
Mr. U. Parekh	55,000
Mr. C.K. Pasari	200,000
Mr. S.K. Pasari	5,000
Mr. A. Khaitan	40,000
Mr. S.R. Dasgupta	15,000
<b>TOTAL</b>	<b>5,90,000</b>

**Details of remuneration paid/payable to the Managing Director :**

	Rupees	Rupees
Mr. S. Singh (Managing Director)		
Salary		84,55,000
Performance Bonus		14,00,000
Contributions to		
Provident Fund	6,84,000	
Superannuation Fund	<u>8,55,000</u>	15,39,000
Perquisites		1,57,100
<b>Total remuneration</b>		<b>1,15,51,100</b>

Service contract of the Managing Director is five years from October 1, 2007. Notice period is minimum three months.

- Notes :**
1. None of the non-executive Directors receives any remuneration apart from the sitting fees for meetings attended by them
  2. The Managing Director is entitled to Performance Bonus upto a maximum of 6 months salary, payable annually, for each financial year, as may be determined by the Board.
  3. The Managing Director has been allotted 2,000 Convertible Warrants. Refer paragraph XIV (m) (ii) for details.
  4. The resolutions appointing the Managing Director do not provide for payment of severance fees.

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

- (i) 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.
- (ii) During the year, 5 Board Meetings were held on 21 June 2007, 31 July, 2007, 10 September, 2007, 31 October, 2007, and 31 January 2008.



- (iii) The attendance recorded for each of the Directors at the Board Meetings during the year ended on 31 March 2008 and of the last Annual General Meeting is as under :

Directors	No. of Board Meetings attended	Attendance at the Last AGM
Mr. D. Khaitan	4	Yes
Mr. S. P. Singhi	5	Yes
Mr. V. K. Verma	4	Yes
Mr. U. Parekh	4	No
Mr. U. S. Chaturvedi	2	Yes
Mr. C. K. Pasari	5	Yes
Mr. S. K. Pasari	1	No
Mr. A. Khaitan	5	Yes
Mr. S.R. Dasgupta	3	No
Mr. S. Singh	5	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. The Code is available on the Company's corporate website.

### III Audit Committee

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

Mr. V.K. Verma, Chairman,

Mr. U. Parekh

Mr. C.K. Pasari (w.e.f. 21st June 2007)

Mr. A. Khaitan (w.e.f. 21st June 2007)

Mr. U.S. Chaturvedi (withdrawn w.e.f. 31st January 2008)

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

The Audit Committee Meetings were held on 21 June 2007, 31 July, 2007, 31 October, 2007 and 31 January 2008. The attendance of each Audit Committee member is as under :

Name of the Audit Committee Member	No. of meetings attended
Mr. V. K. Verma	3
Mr. U. S. Chaturvedi	1
Mr. U. Parekh	4
Mr. C. K. Pasari	3
Mr. A. Khaitan	3

- b) At the invitation of the Company, representatives from various divisions of the Company, internal auditors, statutory auditors, Chief Financial Officer and Company Secretary who is acting as Secretary to the Audit Committee also attend the Audit Committee Meetings to respond to queries raised at the Committee Meetings.



- c) 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**

The Remuneration Committee consists of three non-executive independent Directors :

Mr. S. P. Singhi, Chairman

Mr. U. Parekh

Mr. C.K. Pasari

Mr. V. K. Verma

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 twice during the year on 18 June, 2007 and 31 October, 2007. The attendance of the members of the Remuneration Committee was as follows:

Name of Remuneration Committee Member	No. of meetings attended
Mr. S. P. Singhi	2
Mr. U. Parekh	2
Mr. C.K. Pasari	1
Mr. V. K. Verma	0

#### **V Remuneration Policy**

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

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

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

#### **VI Shareholders'/Investors' Grievance Committee**

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

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

Mr. U. Parekh

Mr. V.K. Verma

Mr. C.K. Pasari

The Shareholders/Investors' Grievance Committee of the Company met once during the year on 31 October, 2007.

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

##### **Investors' Grievances**

The following table shows the nature of complaints received from shareholders during 2007-08.

Nature of complaints	Pending as on 1 April 2007	Received during the year	Replied/resolved during the year	Pending as on 31 March 2008
Non receipt of Dividend Warrants	0	11	11	0
Non receipt of Share certificates	0	3	3	0
Non receipt of Annual Reports	0	1	1	0
	0	15	15	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, 2008, and all requests for dematerialization and re-materialization of shares as on that date were confirmed/rejected into the NSDL/CDSL system.

## VII Other Board Committees

### a) Committee of Directors

During the year, 24 Committee of Directors Meetings were held on 16th April 2007, 30th April 2007, 15th May 2007, 31st May 2007, 15th June 2007, 30th June 2007, 16th July 2007, 31st July 2007, 16th August 2007, 31st August 2007, 5th September 2007, 15th September 2007, 15th October 2007, 31st October 2007, 15th November 2007, 30th November 2007, 15th December 2007, 31st December 2007, 15th January 2008, 31st January 2008, 15th February 2008, 29th February 2008, 15th March 2008 & 31st March 2008.

The attendance recorded for each of the Directors at the Committee of Directors' Meetings during the year ended on 31 March 2008 is as under :

Directors	Number of Committee of Directors' Meetings attended
Mr. S P Singhi	20
Mr. C K Pasari	24
Mr. S. Singh	24

### b) Allotment Committee

During the year, 6 Allotment Committee Meetings were held on 20th June 2007, 24th September 2007, 8th October 2007, 15th November 2007, 13th December 2007 and 29th December 2007.

The attendance recorded for each of the Directors at the Allotment Committee Meetings during the year ended on 31 March 2008 is as under:

Directors	Number of Allotment Committee Meetings attended
Mr. D Khaitan	6
Mr. S P Singhi	6
Mr. C K Pasari	6
Mr. S Singh	6

## VIII Subsidiary Companies :

The Company has two subsidiary companies in Hungary, viz. EWB-MBE International Konyezetvedelmi Kft. and EWB Konyezetvedelmi Kft. Hence it is not required to have an independent director of the Company on the Board of such subsidiary companies. With this acquisition the Company has the right to exploit the Ash Handling Technology for coal based Power Plants in India. The Company's investment in the subsidiaries has not yielded any substantial dividend except in one year.

## 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. The Company has allotted a total of 19,07,412 Equity Shares of Rs.10/- each at a price of Rs.143/- per Share upon conversion of Foreign Currency Convertible Bonds during the year and all these shares are listed in the Bombay Stock Exchange and National Stock Exchange.
6. 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.
7. There were no material financial and commercial transactions by Senior Management as defined in Clause 49 of the listing agreement where they have personal interest that may have a potential conflict with the interests of the Company at large requiring disclosure by them to the Board of Directors of the Company.

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

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

(i) **The Board :**

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

No specific tenure has been specified for the Independent Directors.

(ii) **Remuneration Committee:**

Details are given under the heading 'Remuneration Committee'.

(iii) **Shareholder Rights:**

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

(iv) **Audit Qualification:**

During the year under review, there was one audit qualification in the Company's financial statements. The Company is adopting best practices to ensure a regime of unqualified financial statements in future.

(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
42nd	Wednesday	10.08.2005	12.30 p.m.	Rotary Sadan 94/2, Chowringhee Road, Kolkata 700 020
43rd	Wednesday	20.09.2006	11.30 a.m.	- do -
44th	Wednesday	10.09.2007	11.00 a.m.	- do -

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

Yes, details of which are given hereunder :

Date	Matter
10.08.2005	Appointment of Managing Director
10.08.2005	Issuance of FCCBs
10.08.2005	Delisting of Shares from Stock Exchanges
20.09.2006	Contribution to Rajiv Gandhi Foundation for charitable purposes
10.09.2007	Re-appointment of Managing Director

(c) During the year ended 31st March, 2008, no special resolutions were put through postal ballot.

### **XIII Means of Communication**

Quarterly results :

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

### **XIV 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 appointment
Name of Director	Mr. D. Khaitan	Mr. V.K. Verma	Mr. C.K. Pasari
Date of appointment	17th November, 1995	29th November, 1978	30th March, 2004
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	Nil	700	Nil

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

Day, Date, time and venue :

Day	:	Monday
Date	:	15th September, 2008
Time	:	11 a.m.
Venue	:	Rotary Sadan, 94/2 Chowringhee Road, Kolkata - 700020



- (c) **Financial Year** : 2008-2009  
 First Quarterly Results : Before end of July 2008  
 Second Quarterly Results : Before end of October 2008  
 Third Quarterly Results : Before end of January 2009  
 Audited Yearly Results for the Year ended 31 March, 2009 : Before end of June 2009
- (d) **Period of Book Closure** : September 10, 2008 to September 15, 2008

(e) **Dividend payment date :**

Dividend on Equity Shares when sanctioned will be made payable on or before October 13, 2008 to those Shareholders in physical form whose names stand on the Company's Register of Members on September 15, 2008 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 2007-2008.

**Stock Codes :**

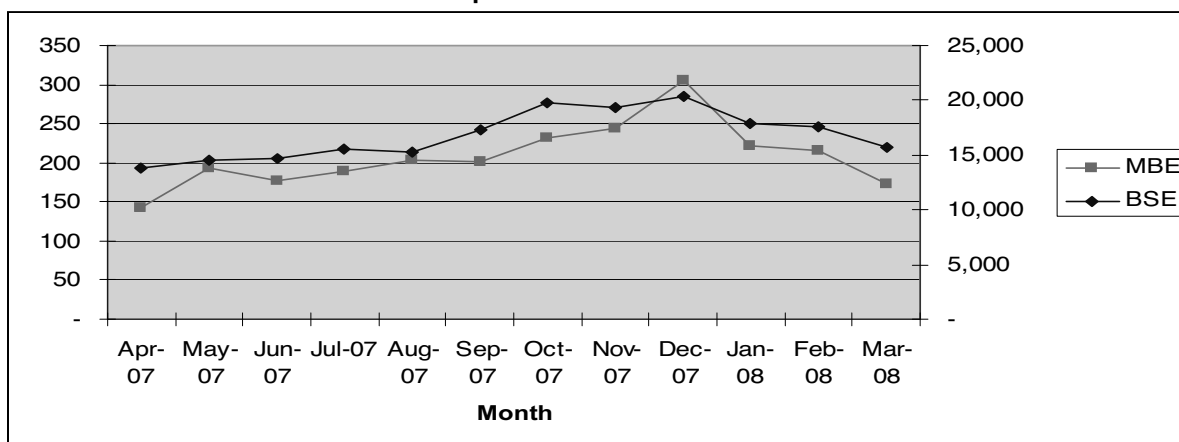
Bombay Stock Exchange	532629
National Stock Exchange	MBECL
Reuters Code	MCNL.BO
Bloomberg Code	MCNA : IN
International Securities Identification Number (ISIN) for the Company's shares in dematerialized form	INE 748A01016

(g) **Market Price Data :**

The details of monthly highest and lowest closing quotations of the equity shares of the Company at the Bombay Stock Exchange and National Stock Exchange during financial year 2007-2008 are as under :

Month	Bombay Stock Exchange (BSE)		National Stock Exchange (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2007	167.00	125.25	166.50	125.40
May, 2007	200.00	139.00	200.00	138.00
June, 2007	202.50	169.05	202.00	169.00
July, 2007	215.00	178.10	215.00	179.75
August, 2007	212.80	158.20	213.40	160.00
September, 2007	220.75	190.00	220.15	190.00
October, 2007	232.40	181.50	232.65	185.55
November, 2007	268.00	220.00	267.00	220.00
December, 2007	316.90	245.15	320.00	243.00
January, 2008	308.00	214.60	309.00	212.55
February, 2008	256.00	197.00	254.20	200.00
March, 2008	225.00	140.25	220.00	141.10

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



**(h) Share Transfer Agents :**

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

**(i) Share Transfer System :**

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

**(j) Distribution of Shareholding as on 31st March, 2008 :**

No of Shares	No. of holders	% of total holders	No. of shares	% of total shares
1 to 500	9154	87.8166	1183785	4.1265
501 to 1000	640	6.1397	542530	1.8912
1001 to 2000	256	2.4559	401486	1.3995
2001 to 3000	120	1.1512	316927	1.1048
3001 to 4000	35	0.3358	129425	0.4512
4001 to 5000	48	0.4605	231193	0.8059
5001 to 10000	54	0.5180	406853	1.4182
10001 and above	117	1.1224	25474913	88.8026
Total	10424	100.0000	28687112	100.0000





**(k) Pattern of Shareholding as on 31st March, 2008 :**

Category	No. of Holders	No. of Shares
1 Resident Indian	9703	4098006
2 Domestic Companies	492	11061276
3 NRI	176	1799612
4 Foreign Companies	—	—
5 Mutual Fund	28	5737193
6 Financial Institutions	—	—
7 Bank (Non-Nationalised)	2	140
8 Directors & Relatives	7	38187
9 FII	10	4564597
10 Insurance	6	1388101
<b>Total</b>	<b>10424</b>	<b>28687112</b>

**(l) Dematerialization of Shares :**

As on 31st March, 2008, 28183822 Shares of the Company's total shares representing 98.25% shares were held in dematerialized form and the balance 1.75% representing 503290 shares were in paper form.

**(m) Outstanding GDRs/ADRs/Warrants or any Convertible instruments :**

- (i) On 25th October, 2006, the Company had issued 100, 4.5% Foreign Currency Convertible Bonds of US\$ 100,000 each. The Bonds were convertible at the option of the bondholders into equity shares at any time on or after 25th October, 2006 up to and including 20th October, 2011 at initial conversion price of Rs.143/- per share.

The aforesaid Bonds were converted to equity shares as under :

Date of Conversion	Name of Bondholder	No. of Bonds held	No. of shares issued
15/02/2007	Goldman Sachs investments (Mauritius) I Ltd - FCCB	10	317,902
20/07/07	— do —	20	635,804
15/11/07	— do —	20	635,804
13/12/07	— do —	20	635,804
04/04/08	— do —	30	953,706

- (ii) The Company has issued 14,53,000 Convertible Warrants on 30th June, 2006 to certain Promoters, Associates and Senior Management of the Company at the rate of Rs. 144.29 per warrant. An amount of 10% of the Warrant value was paid on application. On payment of the Balance 90% in December 2007, 14,53,000 equity share of Rs.10/- was allotted on 04.04.2008 on conversion of equal number of warrants.

- (iii) There are no other outstanding GDR's / ADR's / warrants or any convertible instruments.

**(n) Factory Location :**

The Company's factory is located at Kumardhubi, Jharkhand.

**(o) Address of Correspondence :**

The Company's Registered Office is situated at 4, Mangoe Lane, 7th Floor, Kolkata 700001.

Shareholders' correspondence should be addressed to :

**McNally Bharat Engineering Company Limited**

Share Department, 4, Mangoe Lane, 7th Floor, Kolkata - 700 001.

**Contact persons :** Mr. D. Chatterjee, Company Secretary  
Mr. E. Janardhanan, Deputy Manager  
Telephone Nos : 65500725 to 65500739  
Fax No: 2248-0340, E-mail: mbecl@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

**XV Declaration by the CEO 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, 2008.

For McNally Bharat Engineering Company Limited

Srinivash Singh  
Managing Director  
Kolkata, June 14, 2008

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**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 on 31st March 2008, 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 except for the fact that though a risk assessment framework has been adopted by the Company its full implementation is still in progress, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We further 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.

Place: Kolkata  
Date: 14th June, 2008

Prabal Kr. Sarkar  
*Partner*  
Membership No:52340  
For and on behalf of  
Lovell & Lewes  
*Chartered Accountants*



## AUDITORS' REPORT

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

1. We have audited the attached Balance Sheet of **McNALLY BHARAT ENGINEERING COMPANY LIMITED**, as at 31st March 2008, and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956 of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *As indicated in Note 9 on Schedule 22 to the accounts, in view of the prolonged non-conclusive status of the power project set up by Jayamkondam Lignite Power Corporation Limited (JLPC) in which the Company was a Co-promoter, we are unable to comment on the recoverability of the investment amount due from JLPC amounting to Rs.1,08,06,995 in these accounts.*
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
  - (a) *Subject to our remarks in paragraph 4 above* we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, as on 31st March 2008 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and also *subject to our remarks in paragraph 4 above* give a true and fair view in conformity with the accounting principles generally accepted in India :
    - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2008;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

PRABAL KR SARKAR

Partner

Membership Number 52340

For and on behalf of

LOVELOCK & LEWES

Chartered Accountants

Place: Kolkata, June 14, 2008

## ANNEXURE TO AUDITORS' REPORT

**[Referred to in paragraph 3 of the Auditors' Report of even date to the members of McNally Bharat Engineering Company Limited on the financial statements for the year ended 31st March, 2008]**

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of all fixed assets except item-wise cost and/or location of pumps, pipes and fittings and electrical installations included in plant and machinery and fixtures acquired prior to 1st December, 1964.
- (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 reconciliation between the book records and the physical inventory is in process.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly the paragraphs 4(iii)(b),(c),(d) of the Order are not applicable.
- (b) 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. Accordingly the paragraphs 4 (iii) (f), (g) of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. In our opinion and according to the information and explanations given to us, there are no contracts that need to be entered into the register in pursuance of Section 301 of the Act. In view of the above, paragraph 4(v) (b) of the Order is not applicable to the Company for the current year.
6. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.
9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, sales tax, wealth tax, customs duty, excise duty and cess and other material statutory dues as applicable, with the appropriate authorities except in certain cases of deposits to investor education and protection fund, income tax and service tax where there have been



significant delays. Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956 we are not in a position to comment on the regularity or otherwise of the Company in depositing the same. The extent of the arrears of statutory dues outstanding as at 31st March, 2008, for a period of more than six months from the date they became payable are as follows :

Name of the Statute	Nature of Dues	Amount	Period to which the amount relates	Due Date
Income Tax	Corporate Dividend Tax	115620	Year ended 31-03-2008	24-09-2007

- (b) According to the information and explanations given to us and the records of the company examined by us, as at 31st March, 2008, there were no dues in respect of income tax, wealth tax, service tax, customs duty and cess which have not been deposited on account of a dispute, other than certain disputed excise duty and sales tax dues as at 31st March 2008 amounting to Rs.21,482,137/- and Rs.4605494/- respectively in respect of which amounts involved and forums at which dispute is pending are detailed in Annexure A attached.
10. The company has no accumulated losses as at 31st March 2008 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
  11. According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution, bank or debenture holders as at the balance sheet date.
  12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
  13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the company.
  14. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
  15. In our opinion, and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
  16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
  17. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
  18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
  19. As the Company has not issued any debentures the provisions of Clause 4 (xix) of the Order are not applicable to the Company.
  20. The company has not raised any money by public issues during the year.
  21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

Kolkata, June 14, 2008

Prabal Kr. Sarkar  
Partner  
Membership Number. 52340  
For and on behalf of  
Lovelock & Lewes  
Chartered Accountants

## ANNEXURE – A

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

NAME OF THE STATUTE	NATURE OF DUES	AMOUNT in Rs.	PERIOD TO WHICH THE AMOUNT RELATES	FORUM IN WHICH THE DISPUTE IS PENDING
CENTRAL EXCISE ACT, 1944	Excise Duty and Penal Interest thereon	670,220	1990-91	CEGAT – Kolkata
- DO -	- DO -	2,119,191	1994-95 & 95-96	Commissioner (Appeal) - Patna
- DO -	- DO -	2,831,749	1996-97	Asst. Commissioner - Dhanbad
- DO -	- DO -	674,059	1993-94	Asst. Commissioner - Dhanbad
- DO -	- DO -	1,879,868	1994-95	Asst. Commissioner - Dhanbad
- DO -	- DO -	355,691	1992-93	Asst. Commissioner - Dhanbad
- DO -	- DO -	12,951,359	1989-90 to 1992-93	Commissioner of Central Excise – Trichy
	<b>SUB-TOTAL</b>	<b>21,482,137</b>		
APGST ACT, 1957	Sales Tax	416,084	1994-95	Sales Tax Appellate Tribunal-Hyderabad
- DO -	Sales Tax	1,314,578	1995-96	Sales Tax Appellate Tribunal-Hyderabad
- DO -	Sales Tax	452,894	1997-98	Sales Tax Appellate Tribunal-Hyderabad
- DO -	Sales Tax	886,480	1996-97	Sales Tax Appellate Tribunal-Hyderabad
OST ACT	Sales Tax	166,333	2003-04	Asstt Commissioner, Commercial Taxes, Cuttack Circle
WBST ACT	Sales Tax	177,694	2003-04	Deputy Commissioner, Commercial Taxes, Kolkata
BIHAR FINANCE ACT, 1981	SALES TAX	644,052	1991-92	Dy Commissioner of Commercial Taxes - Chirkunda Circle
- DO -	Sales Tax	547,379	1992-93	Dy Commissioner of Commercial Taxes - Chirkunda Circle
	<b>SUB - TOTAL</b>	<b>4,605,494</b>		



**BALANCE SHEET AS AT 31ST MARCH, 2008**

	Schedule No.	As at 31st March, 2008 (Rs.'000)	As at 31st March, 2007 (Rs.'000)
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
a) Capital	1	286,871	267,797
b) Reserves and Surplus	2	1,083,455	673,978
<b>2. Shares Warrant Application Money (Refer Note 24 in Schedule 22)</b>		209,653	20,777
<b>3. Loan Funds</b>			
a) Secured Loans	3	506,499	706,693
b) Unsecured Loans	4	119,910	466,209
<b>4. Deferred Tax Liability</b>	13	11,383	7,022
<b>Total</b>		<b>2,217,771</b>	<b>2,142,476</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
a) Gross Block		983,832	778,894
b) Less : Depreciation and Amortisation		364,410	326,932
c) Net Block	5	619,422	451,962
<b>2. Capital Work in Progress</b>		185,799	113,689
<b>3. Investments</b>	6	147,109	46,137
<b>4. Current Assets, Loans and Advances</b>			
a) Inventories	7	256,068	188,169
b) Sundry Debtors	8	3,711,151	2,603,738
c) Cash and Bank Balances	9	705,012	544,500
d) Loans and Advances	10	999,885	669,178
		<b>5,672,116</b>	<b>4,005,585</b>
<b>Less : Current Liabilities and Provisions</b>			
a) Liabilities	11	4,333,933	2,421,663
b) Provisions	12	72,742	53,234
		<b>4,406,675</b>	<b>2,474,897</b>
<b>Net Current Assets</b>		<b>1,265,441</b>	<b>1,530,688</b>
<b>Total</b>		<b>2,217,771</b>	<b>2,142,476</b>

**Notes on Accounts**

**22**

Schedules referred to above form an integral part of the Balance Sheet.

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

PRABAL KR SARKAR  
Partner  
Member No. 52340  
For and on behalf of  
LOVELOCK & LEWES  
Chartered Accountants  
Kolkata, 14th June, 2008

DEEPAK KHAITAN – Chairman  
SRINIVASH SINGH – Managing Director  
P. K. GHOSH – Chief Financial Officer  
D. CHATTERJEE – Company Secretary



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

	Schedule No.	For the year ended 31st March, 2008 (Rs. '000)	For the year ended 31st March, 2007 (Rs. '000)
<b>INCOME</b>			
Sale of Products & Contracts	14	5,467,812	5,020,528
Agency Commission		11,842	13,603
Sale of scrap		10,295	5,917
Other Income	15	10,625	56,227
<b>Total</b>		<b>5,500,574</b>	<b>5,096,275</b>
<b>EXPENDITURE</b>			
Materials	16	2,997,879	3,179,106
(Increase)/Decrease in Jobs-in-progress	17	27,279	(99,741)
Outsourcing Expenses to outsiders for Job Work Expenses	18	954,616	922,649
Advance/Debts written off/Provision/Liabilities written back (Net)	19	1,097,733	774,700
Depreciation and Amortisation	20	(11,454)	11,269
Interest and Finance charges (Net)	21	22,535	17,219
<b>Total</b>		<b>88,937</b>	<b>90,240</b>
<b>PROFIT BEFORE TAXATION</b>		<b>5,177,525</b>	<b>4,895,442</b>
TAXATION FOR THE YEAR		323,049	200,833
Current Tax		85,591	20,259
Deferred Tax [Refer Note 27 on Schedule 22]		7,945	1,932
Fringe Benefit Tax		5,513	3,596
		99,049	25,787
<b>PROFIT AFTER TAXATION</b>		<b>224,000</b>	<b>175,046</b>
Brought forward from Previous Year		249,952	106,237
		<b>473,952</b>	<b>281,283</b>
<b>APPROPRIATIONS</b>			
Proposed Dividend		31,094	26,780
Dividend for last year		636	—
Corporate Dividend Tax for last year		116	—
Corporate Dividend Tax		5,284	4,551
Balance carried forward		436,822	249,952
		<b>473,952</b>	<b>281,283</b>
<b>Notes on Accounts</b>	22		
Earnings per Share (Refer Note 26 on Schedule 22)			
Basic		8.10	6.60
Diluted		7.52	6.60

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

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

PRABAL KR SARKAR  
Partner  
Member No. 52340  
For and on behalf of  
LOVELOCK & LEWES  
Chartered Accountants  
Kolkata, 14th June, 2008

DEEPAK KHAITAN – Chairman  
SRINIVASH SINGH – Managing Director  
P. K. GHOSH – Chief Financial Officer  
D. CHATTERJEE – Company Secretary



**SCHEDULES**

	As at 31st March, 2008 (Rs.'000)	As at 31st March, 2007 (Rs.'000)
<b>1. Capital</b>		
<b>Authorised</b>		
4,00,00,000 (2006-07 – 4,00,00,000) Equity Shares of Rs.10/- each	<u>400,000</u>	<u>400,000</u>
<b>Issued and Subscribed</b>		
2,86,87,112 Equity Shares of Rs.10/- each fully paid up (2006-07 - 2,67,79,700 Equity Shares of Rs.10/- each fully paid up) Refer Note 23 in Schedule 22	286,871	267,797
Note: Of the above Shares :		
i) 4,86,100 Shares were allotted as fully paid-up pursuant to Contracts without payments being received in cash;		
ii) 12,57,930 Shares were issued as fully paid-up Bonus Shares by Capitalisation of General Reserve		
<b>Total</b>	<u><b>286,871</b></u>	<u><b>267,797</b></u>
<b>2. Reserves and Surplus</b>		
Capital Redemption Reserve	100	100
Securities Premium Account		
Balance as per last account	270,549	239,779
Add : Addition during the year [net of Issue Expenses relating to Foreign Currency Convertible Bonds (FCCB) after adjustment of tax effect amounting to Rs.1,70,957 (2006-07 - Rs.1,15,10,962)] (Refer Note 23 in Schedule 22)	253,515	30,770
Balance as at 31st March, 2008	<u>524,064</u>	<u>270,549</u>
Revaluation Reserve as per last account	76,121	100,580
Less : Transferred to Profit and Loss Account	24,117	24,202
Less : Amount withdrawn on assets sold	—	257
Balance as at 31st March 2008	<u>52,004</u>	<u>76,121</u>
General Reserve		
Balance as per last account	77,256	77,256
Less : Amount withdrawn in view of transitional provision in compliance with AS 15 (Revised) (Refer Note 21 in Schedule 22)	6,791	—
Balance as at 31st March, 2008	<u>70,465</u>	<u>77,256</u>
Profit and Loss Account		
Balance as per last account	249,952	106,237
Add : Profit for the year	186,870	143,715
Balance as at 31st March, 2008	<u>436,822</u>	<u>249,952</u>
<b>Total</b>	<u><b>1,083,455</b></u>	<u><b>673,978</b></u>

**SCHEDULES**

	As at 31st March, 2008 (Rs.'000)	As at 31st March, 2007 (Rs.'000)
<b>3. Secured Loans</b>		
From Banks :		
Overdraft including Working Capital Demand Loans (including interest accrued and due Rs. Nil; 2006-07 - Rs.3,41,978) (Secured by hypothecation of all Stocks, Book Debts and by way of a First Charge on certain fixed Assets of the company)	467,915	586,933
Term Loans Secured by way of subservient charge on all fixed and current assets of the Co. and a guarantee from United India Insurance Company Limited (including interest accrued and due Rs.Nil; 2006-07 - Rs.96,340)	16,670	105,322
Equipment Finance Loan (Secured by hypothecation of the tangible movable asset acquired out of these loans).	—	2,700
Car Loans (Secured by hypothecation of Motor Vehicles acquired out of these loans).	3,483	5,245
From Others :		
Equipment Finance Loan (Secured by hypothecation of the tangible movable assets acquired out of these loans).	18,431	6,493
<b>Total</b>	<b>506,499</b>	<b>706,693</b>
<b>4. Unsecured Loans</b>		
Short Term Loan :		
From banks (including interest accrued and due Rs. Nil; 2006-07 - Rs.628,477)	—	73,750
Other Loans :		
From others :		
Car Loan	—	149
4.5% Foreign Currency Convertible Bond (Refer Note 23 on Schedule 22)	119,910	392,310
<b>Total</b>	<b>119,910</b>	<b>466,209</b>

## SCHEDULES

## 5. Fixed Assets

Rs. '000

Particulars	GROSS BLOCK AT COST/VALUATION				DEPRECIATION				NET BLOCK	
	As at 31st March, 2007	Additions	Sale/ Adjustment	As at 31st March, 2008	As at 31st March, 2007	For the year	On Sales Adjustment	As at 31st March, 2008	As at 31st March, 2008	As at 31st March, 2007
<b>Tangible Assets :</b>										
Freehold Land**	15,427	56,555	—	71,982	—	—	—	—	71,982	15,427
Leasehold Land*	51,715	21,722	—	73,437	150	882	—	1,032	72,405	51,565
Building**	245,640	6,251	7,912	243,979	107,197	5,197	7,912	104,482	139,497	138,443
Plant & Machinery	305,368	113,346	1,016	417,688	148,391	21,121	286	169,226	248,472	156,977
Furniture & Fixtures	11,218	7,049	167	18,100	6,730	2,006	136	8,600	9,500	4,488
Refrigerators & Air	7,426	2,012	7	9,431	2,344	362	7	2,699	6,732	5,082
Conditioners										
Office Equipments	4,945	655	1,062	4,538	2,723	187	643	2,267	2,271	2,222
Vehicles	9,302	772	815	9,259	2,421	727	190	2,958	6,301	6,881
Telephone Plant	1,526	52	—	1,578	634	58	—	692	886	892
Cooking Appliances	94	—	—	94	87	—	—	87	7	7
<b>Intangible Assets :</b>										
Technology for :										
Pump #	75,290	—	—	75,290	30,116	7,529	—	37,645	37,645	45,174
Mineral Processing	26,297	—	—	26,297	10,520	2,630	—	13,150	13,147	15,777
Equipment #										
Vibrating Screens	8,572	—	—	8,572	5,736	1,712	—	7,448	1,124	2,836
Granulators etc.	4,289	—	—	4,289	2,577	861	—	3,438	851	1,712
Computer Software	11,785	7,503	—	19,288	7,306	3,380	—	10,686	8,602	4,479
<b>Total</b>	<b>778,894</b>	<b>215,917</b>	<b>10,979</b>	<b>983,832</b>	<b>326,932</b>	<b>46,652</b>	<b>9,174</b>	<b>364,410</b>	<b>619,422</b>	<b>451,962</b>
<b>Previous Year</b>	<b>838,326</b>	<b>32,223</b>	<b>91,655</b>	<b>778,894</b>	<b>310,921</b>	<b>41,421</b>	<b>25,410</b>	<b>326,932</b>	<b>451,962</b>	

Notes : \* Gross Block of Leasehold Land includes land allotted by Kamataka Industrial Area Development Board on lease cum sale basis for a period of six years amounting to Rs.3109 (000). At the end of six years the lease shall be converted into sale subject to the fulfillment of the conditions of allotment and payment of the price of land in full after adjustment of the amount already paid.

\*\* Additions during the year represents Land and Building acquired at a consolidated price apportioned on the basis of Municipal valuation.

# Acquired on amalgamation.

Also refer Note 18 on Schedule 22.

**SCHEDULES**

	As at 31st March, 2008 (Rs.'000)	As at 31st March, 2007 (Rs.'000)
<b>6. Investments—Unquoted unless otherwise stated</b>		
Current - Other than trade		
Investment in 1,22,491.443 Units (2006-07 Nil Units) of Standard Chartered Liquidity Manager-Plus-Fund-Short Term Plan - Growth	138,975	—
Investment in Nil Units (2006-07 31,32,727.352 Units) of Grindlays Floating Rate Fund-Short Term Plan-Growth	—	38,003
Long Term (at Cost)		
A. IN SUBSIDIARY COMPANY		
100% Shares fully paid up in EWB-MBE International Kornyezetvedelmi Kft. Hungary (formerly EWB-MBE International Environmental Limited)	7,427	7,427
B. TRADE INVESTMENTS		
24,970 Equity Shares of Rs.10 each fully paid in Jayamkondam Lignite Power Corporation Limited	250	250
C. OTHER THAN TRADE		
100 Shares of Rs.10 each fully paid up in McNally Bharat Co-operative Credit Society Limited	1	1
10,960 Equity Shares of Rs.5 each fully paid-up in Eveready Industries India Limited (Quoted)	228	228
10,960 Equity Shares of Rs.5 each fully paid-up in Mcleod Russel India Ltd. (Quoted)	228	228
<b>Total</b>	<b>147,109</b>	<b>46,137</b>
<b>Aggregate Book Value of Unquoted Investments</b>	<b>146,653</b>	<b>45,681</b>
<b>Aggregate Book Value of Quoted Investments</b>	<b>456</b>	<b>456</b>
<b>Aggregate Market Value of Quoted Investments</b>	<b>1,149</b>	<b>1,398</b>
<b>7. Inventories</b>		
Stores and Spare Parts (Including in-Transit Rs. 84,12,637; 2006-07 - Rs.64,97,729)	30,260	20,202
Loose Tools (including in transit Rs. Nil; 2006-07 - Rs.5,23,420)	7,345	3,491
Raw Materials (including In-Transit Rs.6,97,12,160; 2006-07 - Rs.1,86,22,741)	112,914	31,648
Jobs-in-Progress	105,549	132,828
<b>Total</b>	<b>256,068</b>	<b>188,169</b>



**SCHEDULES**

	As at 31st March, 2008 (Rs.'000)	As at 31st March, 2007 (Rs.'000)
<b>8. Sundry Debtors</b>		
Unsecured		
Debts outstanding for a period exceeding Six Months*		
– Considered good	1,493,124	1,151,033
– Considered doubtful	1,807	873
	1,494,931	1,151,906
Less : provision	1,807	873
	1,493,124	1,151,033
Other Debts #	2,218,027	1,452,705
* Including Retention money not due Rs.1,05,09,70,286 (2006-07 - Rs.95,39,35,419)		
# Including due from customers Rs.48,72,15,808 (2006-07 including due to customers Rs.4,77,36,075) not yet billed as per terms of contract (Refer Note 20 on Schedule 22)		
<b>Total</b>	<b>3,711,151</b>	<b>2,603,738</b>
<b>9. Cash and Bank Balances</b>		
Cash and Cheques in hand	28,345	90,417
Remittance-in-transit	4,550	5,784
With Scheduled Banks		
On Current Account*	643,957	112,803
On Deposit Account #	28,160	335,496
<b>Total</b>	<b>705,012</b>	<b>544,500</b>
* Includes Rs.26,50,70,609 (2006-07 Rs.Nil) in Escrow Account		
# Includes Rs.69,82,492 (2006-07 - Rs.31,02,226) pledged with Banks		
<b>10. Loans and Advances - Unsecured Considered Good</b>		
Advances Recoverable in Cash or in kind or for value to be received (Refer Note 29 on Schedule 22)	817,144	441,716
Deposits with Government, Public Bodies and Others	146,628	143,613
Balance with Central Excise	19,693	18,410
Advance Payment of Tax (net of Provision for Tax)	16,420	65,439
<b>Total</b>	<b>999,885</b>	<b>669,178</b>

**SCHEDULES**

	As at 31st March, 2008 (Rs.'000)	As at 31st March, 2007 (Rs.'000)
<b>11. Current Liabilities</b>		
Acceptances	303,482	195,923
Sundry Creditors		
Dues to Micro and Small enterprises (Refer Note 17 on Schedule 22)	821	—
Others [include due to Subsidiaries – Rs. Nil (2006-07 - Rs.42,07,117)]	1,673,387	1,473,581
Advance Payment from customers	2,210,498	605,662
Other Liabilities	145,579	141,888
Interest accrued but not due on loan	166	4,609
<b>Total</b>	<b>4,333,933</b>	<b>2,421,663</b>
<b>12. Provisions</b>		
Proposed Dividend	31,094	26,780
Corporate Dividend Tax	5,400	4,551
Provision for Employee Benefits	36,248	21,903
<b>Total</b>	<b>72,742</b>	<b>53,234</b>
<b>13. Deferred Tax</b>		
Liabilities :		
Depreciation	17,588	8,536
Assets :		
Section 43B items	(5,591)	(1,514)
Others items	(614)	—
<b>Total</b>	<b>11,383</b>	<b>7,022</b>
<b>14. Sale of Products and Contracts</b>		
Sale of Plant, Equipment and Spare Parts	629,085	398,122
Less : Excise Duty	127,855	125,817
	501,230	272,305
Contracts	4,966,582	4,748,223
<b>Total</b>	<b>5,467,812</b>	<b>5,020,528</b>
<b>15. Other Income</b>		
Service Charges	3,600	1,395
Dividend from Subsidiary company	1,323	—
Miscellaneous Income	3,198	1,995
Profit on Sale of Current Investment (Net)	2,504	1,837
Profit on Sale of Long Term Investment (Net)	—	51,000
<b>Total</b>	<b>10,625</b>	<b>56,227</b>





## McNally Bharat Engineering Co Ltd

### SCHEDULES

	For the year ended 31st March, 2008 (Rs.'000)	For the year ended 31st March, 2007 (Rs.'000)
<b>16. Materials</b>		
Balance as at 1st April, 2007	31,648	53,504
Add : Purchases	1,069,199	549,983
	1,100,847	603,487
Less : Balance as at 31st March, 2008	112,914	31,648
Consumption of Raw Materials	987,933	571,839
Consumption of bought out Components and Spare Parts	1,983,842	2,607,267
Purchase of Traded Goods	26,104	—
<b>Total</b>	<b>2,997,879</b>	<b>3,179,106</b>
<b>17. Increase / (Decrease) in Jobs-in-Progress</b>		
Balance as at 1st April 2007	132,828	33,087
Balance as at 31st March 2008	105,549	132,828
<b>Total</b>	<b>27,279</b>	<b>(99,741)</b>
<b>18. Expenses</b>		
Salaries, Wages and Bonus	309,468	200,417
Contribution to Provident and Other Funds	23,545	23,387
Workmen and Staff Welfare Expenses	18,360	12,102
Professional Services	54,302	45,438
Consumption of Stores and Spare Parts	12,715	5,970
Power and Fuel	22,856	19,060
Building Repairs and Maintenance	3,970	1,085
Machinery Repairs and Maintenance	8,149	7,126
General Repairs	31,486	26,038
Rent	17,866	11,926
Subscriptions and Donations	2,755	1,140
Bank Charges	105,603	59,185
Rates and Taxes	24,470	15,057
Insurance	18,713	18,075
Cartage and Freight	238,046	142,042
Directors' Fees	590	505
Travelling	97,349	67,567
Running and Maintenance of Vehicles	3,874	2,892
Royalty	8,380	8,151
Inventories written off	—	4,000
Fixed Assets written off	1,261	—
Loss on Exchange Fluctuations (Net)	29,731	15,088
Commission Expenses	1,382	612
Provision for Bad and Doubtful Debts	934	873
Loss on sale of stock	—	10,441
Loss on sale of Fixed Assets (Net)	140	31,408
Miscellaneous	65,970	49,022
	1,101,915	778,607
Less : Transferred to capital Work in Progress	4,182	3,907
<b>Total</b>	<b>1,097,733</b>	<b>774,700</b>

## SCHEDULES

	For the year ended 31st March, 2008 (Rs.'000)	For the year ended 31st March, 2007 (Rs.'000)
<b>19. Advance/Debts written off/Provision/Liabilities written back (net)</b>		
Debts written off	1,318	1,604
Advances written off	—	12,941
	<u>1,318</u>	<u>14,545</u>
Less :		
Debts/Advances realised	1,596	411
Liabilities no longer required written back	<u>11,176</u>	<u>2,865</u>
<b>Total</b>	<b><u>(11,454)</u></b>	<b><u>11,269</u></b>
<b>20. Depreciation &amp; Amortisation</b>		
Total Charge	46,652	41,421
Less : Transferred from Revaluation Reserve	<u>24,117</u>	<u>24,202</u>
<b>Total</b>	<b><u>22,535</u></b>	<b><u>17,219</u></b>
<b>21. Interest and Finance Charges</b>		
Interest		
On Fixed Loans	16,363	39,267
On Others	<u>70,107</u>	<u>54,458</u>
	<u>86,470</u>	<u>93,725</u>
Less : Interest earned (gross)		
On Fixed Deposit and Others (Tax deducted at source Rs.62,963 (2006-07 - Rs.24,370)	8,752	10,229
On Income Tax refund	<u>4,054</u>	<u>5,688</u>
	<u>73,664</u>	<u>77,808</u>
Bill Discounting charges	<u>15,273</u>	<u>12,432</u>
<b>Total</b>	<b><u>88,937</u></b>	<b><u>90,240</u></b>

## 22. Notes on Accounts

### 1. Accounting Policy Statement

- i. The Financial Statements are prepared to comply in all material respects with all the applicable accounting principles in India, the applicable accounting standards notified u/s 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.
- ii. BASIS OF ACCOUNTING.  
The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.
- iii. FIXED ASSETS.  
a) Fixed Assets other than those revalued are stated at their cost. Cost includes Inward Freight, Duties and Taxes and Expenses incidental to acquisition and installation. Borrowing costs related to the acquisition or construction of the qualifying assets for the period upto the completion of their acquisition or construction are capitalized. Own manufactured assets are capitalized at cost including an appropriate share of overheads.

## **SCHEDULES**

### **22. Notes on Accounts (Contd.)**

b) Depreciation.

Depreciation on assets is provided on Straight Line Method as below :

- (a) In respect of assets acquired prior to 1st June 1987 at rates specified in Income-tax Act 1961 and rules made thereunder and in terms of section 205(2)(b) of the Companies Act, 1956 prevailing at the time of acquisition of the assets.
- (b) For assets acquired on or after 1st June 1987 at rates specified in Schedule XIV to the Companies Act, 1956 as prevailing on the date of acquisition of the assets except as follows :
 

Certain items of plant and machinery	7.07%, 11.31%
--------------------------------------	---------------
- (c) Freehold Land and Leasehold Land (Perpetual Lease) are not depreciated. Other Leasehold land are amortised over the period of lease.

In respect of revalued assets, depreciation on amount added on revaluation is recouped from revaluation reserve.

- c) Profit and Loss on disposal of Fixed Assets is recognized in Profit and Loss Account.
- d) Intangible Assets represents technologies for pumps and mineral processing equipments (acquired on amalgamation) and technical know-how for vibrating screens and granulators which are amortized over a period of ten years and five years respectively under straight line method. Intangible assets also include computer software which are amortized over a period of three to five years.
- e) Amortizations of revalued intangible assets are recouped from Revaluation Reserve, wherein the credit was given on its valuation.
- f) An impairment loss is recognized where applicable when the carrying value of the Fixed Assets exceeds its market value or value in use, whichever is higher.

iv. GOVERNMENT GRANTS.

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

v. INVESTMENTS

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

vi. STOCK and JOBS-IN PROGRESS.

Inventories including Jobs-in-Progress are stated at cost or under cost.

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

Loose tools are written off over a period of ten years.

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

vii. REVENUE RECOGNITION.

Revenue on contracts is recognized on percentage of completion method wherein the stage of completion is determined with reference to the ratio of the contract cost incurred for work performed upto the reporting date to the estimated total contract cost. In the case of unit rate contracts the stage of

## SCHEDULES

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

completion is determined with reference to the valuation of the actual amount of work completed as per the contracted rates. In cases where the current estimate of total contract cost and revenue indicate a loss, such loss is recognized as an expense.

#### viii. FOREIGN CURRENCIES.

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

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

The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. The premium or discount arising at the inception of a forward exchange contract is amortised as expense or income over the life of the contract. Exchange differences on such a contract are recognized in the profit and loss account in the reporting period in which the exchange rates change. 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.

#### ix. SALES

Sales represent the invoiced value of goods and services supplied and exclude sales tax. Agency commission is recognized in terms of agency agreement.

#### x. INCOME FROM INVESTMENTS

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

#### xi. EMPLOYMENT BENEFITS

##### (a) Defined Contribution Plans

###### Provident Fund :

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

###### Pension :

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 Profit and Loss Account. The scheme, which is fully funded, is administered by Trustees and is independent of the Company's finance.

##### (b) Defined Benefit Plans

###### Gratuities and Leave Encashment :

The Company operates a Gratuity Fund Scheme for its employees. The liability in respect of contributions of these funds has been ascertained on the basis of actuarial valuation at the year-end and provided for. The scheme, which is funded is administered by Life Insurance Corporation of India (LIC). Accrued liability towards leave encashment benefits payable to employees has also been evaluated on the basis of actuarial valuation at the end of the year and has been recognized as a charge in the accounts.

**SCHEDULES**
**22. Notes on Accounts (Contd.)**
**(c) Other Long Term Employee Benefits**

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

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

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

**xii. BORROWING COSTS**

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

**xiii. TAXES ON INCOME.**

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

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

Fringe Benefit Tax is accounted for based on the estimated value of Fringe Benefits for the period as per the related provisions of the Income-tax Act, 1961.

	As at 31st March 2008 Rs. '000	As at 31st March 2007 Rs. '000
2. Other money for which the Company is contingently liable :		
a) Excise Duty matters pending in appeal related to issues of applicability and classification	21,482	21,954
b) Sales Tax matters pending in appeal relating to disputes regarding assessable value and exemptions claimed	5,955	5,473
c) Income Tax matters pending in appeal before tax authorities	—	531
The probable cash outflow in respect of the above matters is not determinable at this stage.		
3. Jobs-in-Progress include value of Raw Materials lying with third parties for fabrication	4,749	1,122
4. Stores and Spare Parts consumed include loose tools	677	2,566
5. Capital Commitment	161,804	17,800
6. Auditors' Remuneration :		
Fees	1,250	750
Tax Audit	200	200
Miscellaneous Certificates	820	710
Out of Pocket Expenses	69	33
	<b>2,339</b>	<b>1,693</b>

**SCHEDULES**

**22. Notes on Accounts (Contd.)**

As at 31st  
March 2008  
Rs. '000

As at 31st  
March 2007  
Rs. '000

7. Directors' Remuneration :

Remuneration to director included in Schedule 18 :

Salary	9,855	6,680
Contribution to Provident and Other Funds	1,539	1,134
Perquisites, etc.	157	115
Directors' Fees	<u>590</u>	<u>505</u>
	<b>12,141</b>	<b>8,434</b>

8. During the year, the Company has acquired and sold the following investments :

Name of Investment	For the year ended 31st March 2008		For the year ended 31st March 2007	
	No of Units ( '000 )	Cost (Rs.'000)	No of Units ( '000 )	Cost (Rs.'000)
Grindlays Floating Rate Fund-Short Term Plan-Growth	1,957	24,500	10,322	123,684
Standard Chartered Liquidity Manager-Plus-Fund – Short Term Plan - Growth	179	200,428	—	—

9. Advances recoverable in cash or in kind or for value to be received include Rs.1,08,06,995 (2006-07 – Rs.1,08,06,995) paid as pre-operational expenses incurred in connection with the power project at Tamil Nadu set up by Jayamkondam Lignite Power Corporation Limited (JLPC) of which the Company was one of the promoters. Consequent to the inordinate delay in finalizing the financial closure, the Company had expressed its willingness to withdraw from the project. As a result, Reliance Industries Ltd. was identified as a co-promoter by Tamil Nadu Industries Development Corporation (TIDCO) and the Company was assured the amount will be returned as soon as financial closure is reached. Currently there is indication that the project will be jointly undertaken by Tamil Nadu Electricity Board and Neyveli Lignite Corporation, which are Government Undertakings. The project is being actively pursued by the State Government and the Company is in regular touch with JLPC and is confident of recovery of such amount. Accordingly, no provision for these dues is considered necessary at this stage by the management.

10. The company had entered in September 2003 a joint venture agreement with Elsamex S.A. where officially it was appointed as a subcontractor in "West Bengal Corridor Development Project – Improvement of Gazole Hilli Section of SH 10 with a link to Balurghat from Patiram," (the project). However consequent to considerable delay in execution of the project the Public Works Department of Government of West Bengal (PWD) had terminated the contract in January 2006. The company and Elsamex S.A. feels that such delay in execution was due to the inability of PWD to hand over the stretch of land for widening of road and non-availability of construction drawings on time by PWD. The company has a legitimate claim of Rs.15,16,90,568 towards receivable and Rs.11,33,09,901 on account of deposit against Performance Guarantee. Elsamex S.A. has already moved to arbitration and has claimed an amount of Rs.73,34,03,024 including an additional claim on consequential losses as per guidelines of "Federation Internationale Des Ingenieurs-Conseils" (FIDIC). Arbitration proceedings are underway, however pending settlement of the arbitration proceeding, the company is confident in recovering at least an amount not less than the recoverable shown in its books and considers that no provision towards such amounts recoverable is necessary at this stage.



## SCHEDULES

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

11. a) Installed Capacity of Plant at Kumardhubi		
i) Coal Washing Plant of 300 Tons capacity	Two plants per annum	Two plants per annum
OR	750 MT X 2	= 1,500 MT
Coal Washing Plant, Materials Handling & Conveying System, Thermal Power Plant on Coal Handling System, Rail Wagon, Haulages, Retarders, Unloaders and Loaders, Automatic Sampling, Primary, Secondary Crushing & Screening of Bulk Materials, Pump and Centrifugal and Valves, Feeders and Gates, Bins, Hoppers, Chutes, Gears, Pulleys, Sprockets, Screens and Screen Plates, Dryers, Centrifugal and Thermal Coal Cleaners, Conveyor Chain Drives, Coal Crushing, Breaking, Screening and Conveying System, Structural Steel Work, Engineering, Fabrication and Erection.	10,000 Tonnes per annum	10,000 Tonnes per annum
Coal washing plant above 300 Tonnes	One	1500 MT
Coal and other Material Handling Plant		5000 MT
Port & Yard Handling Equipment		3000 MT
Steel Plant Equipment		5000 MT
Sinter Plant		1000 MT
ii) Cement Mill Machinery	Two Plant of 3,000 Tonnes and above per day each	Two Plants of 3,000 Tonnes and above per day each
	1000 MT X 2	= 2000 MT
iii) Lime Recovery Plant, Lime Burning Plant, Coke Calcining Plant, Phosphate Ore Nodulizing Plant, Lightweight Aggregate Plant, Magnesite Calcining to Periclase for Refractory Industry, Carbon Paste Plant, Special Coke Plant, Pelletizing Fine Materials, Rock Crushing and Screening, Pneumatic handling System, Complete Line or Kennedy Van Saun Machinery such as Crushers and Kilns which are components of the above Plants	Nine Plants per annum	Nine Plants per annum
	500 MT x 9	= 4500 MT
iv) Mineral Beneficiation and Treatment Plants	Equivalent to 25% Production Value	Equivalent to 25% Production Value

#### b) Installed Capacity of Project Division

Sl.No.	Description	Installed Capacity	
1	Engineering, Procurement & Construction Jobs	Nos.	10
1.1	Coal Handling, Material Handling, Crushing & Conveying Systems, etc.	Nos.	8
1.2	Metallurgical & Mineral Process Plants for Aluminium, Copper, Zinc, Iron Ore etc. including coal washeries	Nos.	12
1.3	Ash Handling Plants	Nos.	6
1.4	Water Management Systems	Nos.	30
1.5	Port Handling Equipment & Stockyard Machinery	MT	30,000
1.6	Structural Fabrication		

**Note :** The installed capacities are as certified by the Management.

## SCHEDULES

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

#### 12. Sale and Production for the year ended 31st March, 2008.

	PRODUCTION		PURCHASE		SALE	
	Quantity M.T.		Quantity M.T.	Amount Rs. '000	Quantity M.T./Nos.	Amount Rs.'000
1. Metallurgical Machinery						
a) Kin & Cooler Plant/	34			—	34	17,748
Machinery/Spares	(147)			—	(147)	(38,889)
b) Crushing & Screening Plant/	101			—	101	22,732
Machinery/Spares	(122)			—	(122)	(26,224)
c) Feeders & Gates	56			—	56	15,238
Machinery/Spares	(106)			—	(106)	(22,059)
d) Ball Mill-Machinery/Spares	328			—	328	71,869
	(49)			—	(49)	(39,869)
e) Structural Steel Work,	149			—	149	34,078
Engineering, Fabrication & Erection	(94)			—	(94)	(14,246)
f) Mineral Beneficiation	78 M.T./4 Nos.			—	78 M.T./4 Nos.	694,447
Plant/Machinery/Spares	(168 M.T./4 Nos.)			—	(168 M.T./4 Nos.)	(562,780)
2. Material Handling & Conveying	832 M.T./107 Nos.			—	832 M.T./107 Nos.	4,106,164
Plant/Machinery/Spares	(239M.T./24 Nos.)			—	(239 M.T./24 Nos.)	(3,977,199)
3. Coal Washing Plant/Machinery/Spares	35			—	35	7675
	—			—	—	(176)
4. Cement Mill/Plant	74			—	74	11,769
	(29)			—	(29)	(2,348)
5. Pump & Spares	9264 Nos.	8 Nos.	11,667		9217 Nos.	91,280
	(4960 Nos)		—		(4864 Nos.)	(55,157)
6. Road Construction	—			—		32,904
						(112,649)
7. Water Management System	2 Nos.			—	2 Nos.	4,430
	(3 Nos.)			—	(3 nos.)	(24,147)
8. Port Equipment	10 Nos.			—	10 Nos.	334,594
	(6 Nos.)			—	(6 Nos.)	(165,467)
9. Thickener, Floatation	781 Nos.			—	781 Nos.	111,443
cells and spares	(1187 Nos.)			—	(1185 Nos.)	(105,135)
10. Cargo Handling	92765 Nos.	2684 Nos.	14,437		95449 Nos.	39,296
	—		—		—	—
<b>TOTAL</b>	<b>1688 MT/102933 Nos</b>	<b>2692 Nos.</b>	<b>26,104</b>	<b>1688 MT/105570 Nos</b>	<b>5,595,667</b>	
	(954 MT/6184 Nos)	—	—	(954 MT/6086 Nos)	(5,146,345)	
Excise Duty						127,855
						(125,817)
<b>TOTAL</b>	<b>1688MT/102933Nos</b>	<b>2692 Nos.</b>	<b>26,104</b>	<b>1688MT/105570Nos.</b>	<b>5,467,812</b>	
	(954 MT/6184 Nos)	—	—	(954 MT/6086Nos.)	(5,020,528)	

Note : Figures in brackets are for the year ended 31st March, 2007.





**SCHEDULES**

**22. Notes on Accounts (Contd.)**

		For the year ended 31st March, 2008		For the year ended 31st March, 2007	
		Quantity	Amount (Rs.'000)	Quantity	Amount (Rs.'000)
13.	Details of Consumption of Raw Materials, Components, Spare Parts, Stores, etc.				
	<b>Raw Materials</b>				
a)	Steel Tonnes	31,914	984,623	19,540	560,419
b)	Pipes Meters	9,785	3,310	5,641	2,914
c)	Others		—	—	8,506
			<b>987,933</b>		<b>571,839</b>
	<b>Components, Spare Parts, Stores, etc.</b>				
a)	Castings Tonnes	749	57,554	696	49,072
b)	Motors Nos	84	6,581	59	4,295
c)	Others		1,934,461	—	2,559,870
			<b>1,998,596</b>	—	<b>2,613,237</b>
		Percentage %	Amount Rs.'000	Percentage %	Amount Rs.'000
14.	Break-up of imported and indigenous Materials Consumed				
	<b>Raw Materials</b>				
a)	Imported	—	—	—	—
b)	Indigenous	100.00%	987,933	100.00%	571,839
		<b>100.00%</b>	<b>987,933</b>	<b>100.00%</b>	<b>571,839</b>
	<b>Components, Spare Parts, Stores, etc.</b>				
a)	Imported	5.58%	111,509	0.96%	25,084
b)	Indigenous	94.42%	1,887,087	99.04%	2,588,153
		<b>100.00%</b>	<b>1,998,596</b>	<b>100.00%</b>	<b>2,613,237</b>
			As at 31st March, 2008 Rs.'000	As at 31st March, 2007 Rs.'000	
15.	Value of Import (CIF Basis) Components, Spare Parts & Stores Capital Goods		112,356 859 <b>113,215</b>		24,488 56,621 <b>81,109</b>
16.	a) <b>Expenditure in Foreign Currency</b>				
	Travelling		4,757		2,209
	Royalty & Technical Know-how		19,048		10,774
	Professional and consultation fees		2,764		14,425
	Interest		7,766		9,023
	Others		111,509		25,249
			<b>145,844</b>		<b>61,680</b>
	b) <b>Earnings in Foreign Currency</b>				
	Sale of contracts		11,532		125,563
	Export of Goods and Components		72,308		15,546
	Interest		6,059		9,160
	Dividend		1,323		—
	Others		8,214		327
			<b>99,436</b>		<b>150,596</b>
			2007-08 (Rs. in '000)	2006-07 (Rs. '000)	
c)	Net dividend remitted in foreign currency		551		—
	2006-07 Final to 1 shareholder on 551,384 shares of Rs.10 each		<b>551</b>		<b>—</b>

**SCHEDULES**

**22. Notes on Accounts (Contd.)**

	Principal Rs. in '000	Interest Rs. in '000
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17. (i) Details of Dues to Micro and Small enterprises :

a) The principal amount and interest due thereon remaining unpaid to any supplier as at the end of the year	802	19
b) The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during the year	386	—
c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprise Development Act, 2006.		—
d) The amount of interest accrued and remaining unpaid at the end of accounting year		19
e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro Small and Medium Enterprise Development Act, 2006		19

The above information has been compiled in respect of parties to the extent to which they could be identified as Micro and Small Enterprises under Micro, Small and Medium Enterprises Development Act, 2006 on the basis of information available with the Company.

- (ii) Previous year sundry creditors include Rs.66,49,187 due to Small Scale Industrial Undertakings. The Small Scale Industrial undertakings in respect of which amounts payable were outstanding for more than 30 days were Anand Auto Engg. Works Pvt. Ltd. (Rs.85,890), B. M. Engineering Works (Rs.104,996), J. J. Industries (Rs.5,47,456), Khan Brothers (Rs.1,35,669), Parent Metal Engineering (Rs.39,284), Prakash Spectro Cast Pvt. Ltd. (Rs.4,45,523), Rusa Industries (Rs.430,445), S. K. Engineering Works (Rs.4,554), Shape Machine Tools Pvt. Ltd. (Rs.3,08,661), Singh Engineering Works (Rs.47,312), Sri Guru Electricals (Rs.18,686), T. D. Udyog (Rs.339,657), Benedict Traders & Engineering Works (Rs.52,054), BBS Alloys (Rs.2,88,094), Hydro Tools & Engineering (Rs.4,295), Ideal Fibre Glass Industries (Rs.1,350), Industrial Rubber Products (Rs.61,962), Satya Engineering Enterprises (Rs.55,634), Balaji Enterprises (Rs.29,912), Bhadra Metal Products (Rs.107,311), Do all Do Well Engineering (Rs.52,820), S.M. Engineering Works (Rs.77,340), Allied Engineers (Rs.49,029), Patterns India & Engineering Works (Rs.65,404), Vasuki Udyama (Rs.45,260), Murali Fab Systems (Rs.108,258), Jayveecons (Rs.78,086), Nagalakshmi Industries (Rs.49,053), S M Industries (Rs.14,392), Singh Engineering Works (Rs.29,894), Surya Rubbers (Rs.38,812), Meta Cast (Rs.8,400), S. V. Fabs (Rs.117,460), Sri Lakshmi Engineering & Technology (Rs.519), A. P. Tools (Rs.75,364), A R. S. Steel Traders (Rs.521), Leo Engineers (Rs.9,510), Sri Ganesh Enterprises (Rs.1,508), Savita Suppliers (Rs.10,851), MIL Industries Ltd. (Rs.65,721).

Previous year information has been compiled in respect of parties to the extent to which they could be identified as Small Scale Industrial Undertaking on the basis of information available with the Company.

18. Land, Buildings and major Plant and Machinery as at 31st May 1984 are stated as per valuation made by a Chartered Engineer and Registered Valuer at the then market value. Subsequently, Land, Buildings and Plant and Machinery located at Kumardhubi Factory have been revalued by Registered Valuers at the Net Replacement Cost on 31st December, 2002 and on 28th February 2006, resulting in a further increase in value of these assets by Rs.16,15,87,228/ and Rs.11,16,32,970 respectively.
19. The Company has leasing arrangements in respect of operating leases for premises (residential, office, etc.). These leasing arrangements which are not non-cancellable are for a period of 3 years, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent under Schedule 18.



## SCHEDULES

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

20. Information in respect of contracts in progress :

	<b>2007-08</b>	<b>2006-07</b>
	Rs. in '000	Rs. in '000
Contract costs incurred	10,442,334	6,151,498
Add: Recognised profits net of recognised losses	<u>708,531</u>	<u>416,935</u>
Contract Revenues	11,150,865	6,568,433
Progress billing	<u>10,663,649</u>	<u>6,616,169</u>
Due from customers	808,564	202,114
Due to customers	<u>321,348</u>	<u>249,850</u>
Advance payments received	2,101,438	549,904
Amount of retentions	<u>854,843</u>	<u>1,076,799</u>

21. Defined Benefit Plans :

As per Actuarial valuation as on 31st March, 2008 and recognised in the financial statements in respect of Defined Employee Benefit Schemes

<b>Description</b>	<b>Gratuity (Funded) Rs.in'000</b>	<b>Leave Encashment (Unfunded) Rs.in'000</b>
(a) Reconciliation of Opening and Closing balances of the Present Value of the Defined Benefit Obligation		
Present Value of Obligation at the beginning of the year	32,816	18,386
Current Service Cost	3,355	5,927
Interest Cost	2,939	1,656
Actuarial (Gains)/Losses	5,225	(2,264)
Benefits Paid	<u>(3,589)</u>	<u>(674)</u>
Present Value of Obligation at the end of the year	<b><u>40,746</u></b>	<b><u>23,031</u></b>
(b) Reconciliation of the Opening and Closing balances of Plan Assets		
Fair Value of Plan Assets at the beginning of the year	20,736	—
Actual Return on Plan Assets	2,133	—
Actuarial Gains/(Losses)	—	—
Contributions	11,029	674
Benefits paid	<u>(3,589)</u>	<u>(674)</u>
Fair Value of Plan Assets at the end of the year	<b><u>30,309</u></b>	<b><u>—</u></b>
(c) Reconciliation of the Present Value of the Defined Benefit Obligation and the Fair Value of Plan Assets		
Present Value of Obligation at the end of the year	40,746	23,031
Fair Value of Plan Assets at the end of the year	<u>30,309</u>	<u>—</u>
Assets/(Liabilities) recognized in the Balance Sheet	<b><u>(10,437)</u></b>	<b><u>(23,031)</u></b>
(d) Expense recognised in the Profit and Loss Account		
Current Service Cost	3,355	5,927
Interest Cost	2,939	1,656
Actuarial (Gains)/Losses	<u>5,225</u>	<u>(2,264)</u>
Total Expense recognized	<b><u>11,519</u></b>	<b><u>5,319</u></b>

**SCHEDULES**

**22. Notes on Accounts (Contd.)**

**2007-08**      **2006-07**  
Rs. in '000      Rs. in '000

(e) Category of Plan Assets :		
Fund with LIC	<u>30.309</u>	<u>—</u>
Total	<u>30.309</u>	<u>—</u>
(f) Actuarial Assumptions		
Discount Rate ( Per annum )	7.50%	7.50%
Expected Rate of Return on Assets ( Per annum )	8.50%	0.00%
Mortality Rate	In accordance with standard table LIC (1994-96) ultimate	

**Note :**

- (a) The estimates of future salary increases, considered in actuarial valuations, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The expected return on plan assets is based on actuarial expectation of the average long term rate of return expected on investment of funds during the estimated term of the obligation.
- (b) This being the first year adoption of Accounting Standard 15 (Revised 2005) on Employees Benefits, only the current year figures have been given. The amount of present value of the obligations, fair value of plan assets, surplus or deficit in the plan and experience adjustment arising on plan liabilities and plan assets for the previous four annual period accounts are not available and therefore not disclosed.
- (c) Pursuant to the transitional provisions of AS 15 (Revised) on Employee Benefits an amount of Rs.67,91,387 (net of taxes) being the shortfall in opening liability has been debited to General Reserve.
- (d) Amount recognized as an expense:
  - (i) Contribution to Salaries, wages and bonus in Schedule 18 includes Leave Encashment of Rs.53,19,000.
  - (ii) Contribution to provident and other funds in Schedule 18 includes Gratuity of Rs.96,12,640.
  - (iii) Contribution to Workmen and staff welfare expenses in Schedule 18 includes Long Service Award of Rs.42,000 and Sick Leave of Rs.805,000.
  - (iv) Contribution to provident and other funds in Schedule 18 includes Rs.1,38,63,743 towards contribution to Defined Contribution plans viz. Provident Fund, Pension Fund and Superannuation Fund.

**22. Capitalisation of Borrowing Cost :**

Capital Work In Progress includes Rs.30,51,785 towards capitalisation of interest on borrowings for acquiring qualifying assets in accordance with Accounting Standard 16 (Borrowing Cost).

23. During the year ended 31.3.2007, the Company had issued 4.5% Foreign Currency Convertible Bond (FCCB) worth US\$ 10 million, convertible at Rs.143/- per share at the option of the bondholders, within the tenure of the bonds. Out of the above issue an amount of US\$ 1 million was converted by the bondholders in January 2007 and an amount of US\$ 6 million converted during the year ended 31.03.2008. The remaining amount of US\$ 3 million was also converted on 04.04.2008.



## **SCHEDULES**

### **22. Notes on Accounts (Contd.)**

The utilisation of the FCCB proceeds is given below :

	Amount Rs. '000
FCCB issue proceeds	455,500
Less: Overseas issue costs	8,314
Less: Exchange loss on remittance	<u>25,094</u>
Net proceeds	422,092
Interest earned on overseas deposit	<u>15,222</u>
Total FCCB Fund	<u><b>437,314</b></u>

#### **Utilisation :**

Capital expenditure	292,474
Repayment of loan	135,304
Indian cost of FCCB issue	9,382
Overseas Bank Charges	<u>154</u>
	<u><b>437,314</b></u>

24. The Company had issued 14,53,000 Convertible Warrants during the year ended 31.3.2007 to certain Promoters, Associates and Senior Management of the Company at the rate of Rs.143 per warrant which was later revised to Rs.144.29 during the year ended 31.3.2008. An amount of 10% of the Warrant value based on the original issue price was paid on application during the year ended 31.3.2007 and the balance amount has been received in full during the year ended 31.3.2008. Such warrants were converted to equity shares on 4.4.2008 and as on 31.3.2008 the money received has been disclosed as Share Warrant application money in the Balance Sheet.
25. Related party disclosures as required by Accounting Standard 18 on Related Party Disclosures are as given below :
- a) Relationships
    - i) a) Subsidiary of the Company
      - EWB-MBE International Kornyezetvedelmi Kft, Hungary (EWB-MBE)  
(formerly EWB-MBE International Environmental Ltd.)
      - b) Subsidiary of EWB-MBE International Kornyezetvedelmi Kft, Hungary
        - EWB Kornyezetvedelmi Kft, Hungary
    - ii) Eriez MBE India Limited (EMIL) a joint venture company (upto 23rd March 2007)
    - iii) Key Management Personnel :
      - Mr. Srinivash Singh – Managing Director
  - b) The following transactions were carried out with the related parties in the ordinary course of business.

**SCHEDULES**

**22. Notes on Accounts (Contd.)**

I) Relating to subsidiaries/Joint Venture company referred to in (a) (i) and (ii) above.

	Rs in ' 000 EWB-MBE	Rs in ' 000 EMIL
Purchase of Materials and components	—	—
Rendering of services	—	(4,261)
Dividend income	(8,928)	—
Agency Commission Income	1,323	—
Outstanding payable (net )	—	—
	(4,207)	(10,514)

II) Relating to persons referred to in (a) (iii) above  
Remuneration Paid

Dividend Paid	11,551
Advance Paid	(7,929)
Application money received on convertible warrants	0.9
	(0.5)
	—
	(35)
	260
	(29)

Figures in bracket are for the year ended 31st March 2007.

**26. Earnings Per Share**

	As at 31st March, 2008 Rs. in '000	As at 31st March, 2007 Rs. in '000
Net profit attributable to equity shareholders		
Profit after tax	<u>224,000</u>	<u>175,046</u>
Net profit available for basic earnings per share	<u>224,000</u>	<u>175,046</u>
Net profit attributable to equity shareholders		
Net profit available for basic earnings per share	224,000	175,046
Add: Interest to be saved on dilutive potential equity shares (Net of taxes)	5,126	—
Less: Exchange gain on Foreign Currency Convertible Bonds (Net of taxes)	<u>(7,169)</u>	<u>—</u>
Net profit available for dilutive earnings per share	<u>221,957</u>	<u>175,046</u>
<b>No. of weighted average equity shares</b>		
Basic	27,655,233	26,508,830
Effect of dilutive equity shares on account of : Foreign Currency Convertible Bonds and Convertible warrants	1,867,802	—
Diluted	<u>29,523,035</u>	<u>26,508,830</u>
<b>Nominal value of equity share (Rs.)</b>	<b>10.00</b>	<b>10.00</b>
<b>Earnings per share (Rs.)</b>		
Basic	8.10	6.60
Diluted	7.52	6.60



## SCHEDULES

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

27. Deferred tax expense for the year is after considering Rs.34,97,034 (2006-07 Rs.Nil) being tax effect of opening shortfall in Employee Benefits determined in accordance with AS 15 (Revised) adjusted against General Reserve and Rs.88,030 (2006-07 - Rs.59,26,000) being tax effect of expenses relating to issue of Foreign Currency Convertible Bonds adjusted against Securities Premium Account respectively.

28.	Currency pair	As at 31st		As at 31st	
		March, 2008		March, 2007	
		Buy	Sell	Buy	Sell
		('000)	('000)	('000)	('000)
(a) The Company uses Forward Exchange Contracts to hedge its exposures in foreign currency. The information on such contracts outstanding as at year end are as follows:					
– Loans	USD/INR	840		5,417	
(b) Foreign Exchange Currency Exposures recognised by the Company that have not been hedged by a Derivative Instrument or otherwise as at year end :					
– Receivables	USD/INR		221		251
	EUR/INR		1,736		
	AUD/INR		15		
– Payables	USD/INR	86			
	EUR/INR	15		188	
– Loans	USD/INR	7,587		9,000	

29. Advances recoverable in cash or in kind or for value to be received in Schedule 10 includes an amount due from Director of Rs.Nil (2006-07 – Rs.35,000).

30. Stores and Spare parts consumed debited to various heads amount to Rs.1,47,53,175.

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

## STATEMENT REGARDING SUBSIDIARY COMPANIES

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

Name of the Subsidiary Companies — Kornyezetvedelmi Kft.	EWB-MBE International Kornyezetvedelmi Kft. Hungary (formerly — EWB-MBE International Environmental Limited, Hungary)	EWB Kornyezetvedelmi Kft. Hungary
a) Holding Company's Interest	100% of the Shares amounting to FLORINT 9,900,000	100% subsidiary of EWB-MBE International Kornyezetvedelmi Kft.
b) Net aggregate amount of Subsidiary's Profits/Losses not dealt within the Holding Company's Accounts	FLORINT '000	FLORINT '000
i) Profit/(Loss) for the Subsidiary's financial year ended 31st December, 2007	- 106	8474
ii) Profit/(Loss) for its previous financial years	- 1760	319
c) Net aggregate amount of Subsidiary's Profits/Losses dealt within the Holding Company's Accounts :		
i) Profit/(Loss) for the Subsidiary's Financial year ended 31st December, 2007	—	—
ii) Profit/(Loss) for its previous Financial years	—	—

Kolkata, 14th June, 2008

DEEPAK KHAITAN – *Chairman*  
SRINIVASH SINGH – *Managing Director*  
P. K. GHOSH – *Chief Financial Officer*  
D. CHATTERJEE – *Company Secretary*





## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	For the year ended 31st March, 2008 Rs. '000      Rs. '000		For the year ended 31st March, 2007 Rs. '000      Rs. '000	
<b>A. Cash Flow from Operating Activities</b>				
Net Profit before Tax		323,049		200,833
<u>Adjustments for :</u>				
1. Depreciation	22,535		17,219	
2. Interest Charged	86,470		93,725	
3. Interest Income	(12,806)		(15,917)	
4. Dividend Income	(1,323)		—	
5. Loss/(Profit) on Sale of Fixed Assets (Net)	140		31,408	
6. Loss/(Profit) on Sale of Investment (Net)	(2,504)		(52,837)	
7. Bad Debts written off	1,318		1,604	
8. Advance written off	—		12,941	
9. Provision for bad and doubtful debts	934		873	
10. Liabilities no longer required written back	(11,176)		(2,865)	
11. Provision for employee benefits (Net)	4,057		3,364	
12. Inventories written off	—		4,000	
13. Fixed Assets written off	1,261		—	
12. Unrealised (gain)/loss on exchange (Net)	(10,898)	78,008	(11,039)	82,476
Operating Profit before Working Capital Changes		401,057		283,309
<u>Adjustments for :</u>				
1. Trade and Other Receivables	(1,487,038)		(783,479)	
2. Inventories	(67,899)		(74,146)	
3. Trade Payables	1,926,961	372,024	750,249	(107,376)
Cash generated from Operations		773,081		175,933
1. Direct Taxes Paid (net of refund received)	(42,085)		(1,030)	
		(42,085)		(1,030)
<b>Net Cash Flow in Operating Activities</b>		<u>730,996</u>		<u>174,903</u>
<b>B. Cash Flow from Investing Activities</b>				
Purchase of Fixed Assets	(288,027)		(144,196)	
Sale of Fixed Assets	404		34,571	
Interest received	16,716		11,831	
Dividend Received	1,323		—	
Purchase of Investments	(138,975)		(149,722)	
Sale of Investments	40,507	(368,052)	133,516	(114,000)
<b>Net Cash used in Investing Activities</b>		<u>(368,052)</u>		<u>(114,000)</u>

For the year ended 31st March, 2008		For the year ended 31st March, 2007	
Rs. '000	Rs. '000	Rs. '000	Rs. '000

**Cash Flow Statement (Contd.)**

**C. Cash Flow from Financing Activities**

Interest Paid	(91,962)		(88,052)	
Proceeds from issue of Share Capital	—		45,460	
Proceeds from share warrants application money	188,876		20,777	
Expenses on issue of Share Capital	(259)		(17,437)	
Proceeds from Long Term Borrowings	17,614		77,015	
Proceeds from issue of Foreign Currency Convertible Bonds	—		409,950	
Repayment of Long Term Borrowings	(97,723)		(245,386)	
Proceeds from Other Borrowings	—		151,376	
Repayment of Other Borrowings	(196,412)		—	
Dividend Paid (including tax thereon)	(31,340)	(211,206)	(15,248)	338,455
<b>Net Cash from Financing Activities</b>		<b>(211,206)</b>		<b>338,455</b>
Net Increase/(Decrease) in Cash and Cash Equivalents	151,738		399,358	
Cash & Cash Equivalents (Opening Balance)	553,274		153,916	
Cash & Cash Equivalents (Closing Balance)	705,012		553,274	

**Notes to the Cash Flow Statement for the year ended 31st March, 2008**

	31st March, 2008	31st March, 2007
1. <b>Cash and Cash Equivalents :</b>		
Cash and Cheques in Hand	28,345	90,417
Remittance in Transit	4,550	5,784
With Scheduled Banks		
On Current Account	643,957	112,803
On Deposit Account	28,160	335,496
	<u>705,012</u>	<u>544,500</u>
Effect of exchange rate changes	—	8,774
Cash and cash equivalents as restated	<u>705,012</u>	<u>553,274</u>

- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard – 3 on Cash Flow Statement.
  - Cash and Cash Equivalents include Rs.69,82,492 (2006-07 Rs.31,02,226) which are not available for use at the year end by the Company.
  - Previous year's figures have been rearranged and/or regrouped wherever necessary.
- This is the Cash Flow Statement referred to in our report of even date.

PRABAL KR SARKAR  
Partner  
Member No. 52340  
For and on behalf of  
LOVELOCK & LEWES  
Chartered Accountants  
Kolkata, 14 June, 2008

DEEPAK KHAITAN – Chairman  
SRINIVASH SINGH – Managing Director  
P. K. GHOSH – Chief Financial Officer  
D. CHATTERJEE – Company Secretary



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

**I. REGISTRATION DETAILS**

Registration No. : U45202WB1961PLC025181      State Code      21

Balance Sheet Date 31st March, 2008

**II. CAPITAL RAISED DURING THE YEAR**

(Amounts in Rs. Thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	19074

**III. POSITION OF MOBILISATION AND**

**DEPLOYMENT OF FUNDS**

(Amount in Rs. Thousands)

Total Liabilities	2,206,388	Total Assets	2,206,388
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**SOURCES OF FUNDS**

Paid-up Capital	286,871	Reserves & Surplus	1,293,108
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Secured Loans	506,499	Unsecured Loans	119,910
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**APPLICATION OF FUNDS**

Net Fixed Assets	805,221	Investments	147,109
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Net Current Assets	1,254,058	Miscellaneous	
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Accumulated Losses	Nil	Expenditure	NIL
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**IV. PERFORMANCE OF COMPANY**

(Amount in Rs. Thousands)

Turnover	5,500,574	Total Expenditure	5,177,525
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Profit before Tax	323,049	Profit after Tax	224,000
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Earnings per share in Rs.	8.10	Dividend Rate %	10
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**V. GENERIC NAME OF THREE PRINCIPAL**

**PRODUCTS / SERVICES OF COMPANY**

(as per monetary terms)

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

DEEPAK KHAITAN – *Chairman*  
 SRINIVASH SINGH – *Managing Director*  
 P. K. GHOSH – *Chief Financial Officer*  
 D. CHATTERJEE – *Company Secretary*

Kolkata, 14 June, 2008

Stacker Reclaimer  
at WBPDC, Sagarighi Site



Grab Unloader  
at MPT, Goa





◀ Paddle Fitter  
at Santaldih



Transit Mixer ▶  
deployed for  
Concreting at DPL,  
Durgapur Site



Track Hopper  
at WBPDC, Sagardighi Site



Control Room  
at DPL  
Durgapur Site





◀ Ash Silo at GMDC Akrimota Site



Coal Washery ▶  
at CESC  
Sarsetali Site

FINANCIAL STATEMENTS  
OF  
EWB KÖRNYEZETVÉDELMI KFT.  
AS OF 31ST DECEMBER 2007

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**REPORT OF THE INDEPENDENT AUDITOR  
TO THE OWNER OF EWB KÖRNYEZETVÉDELMI KFT.**

We have completed the audit of the enclosed annual report of EWB Környezetvédelmi Kft. for the year 2007, which annual report consists of the balance sheet prepared for the effective date of December 31, 2007 – in which the matching total sum of assets and liabilities is 177 607 thousand HUF, the balance sheet earning total 8 474 thousand HUF (profit) – , of the relevant profit and loss statements for year ending on that date, as well as the supplement containing a summary of major accounting policies and other explanatory notes.

The preparation and true presentation of the annual report in line with the provisions of the accounting law and the principles generally accepted in Hungary is the responsibility of the management. This responsibility includes the development, implementation and maintenance of a regime of internal audit relevant for the preparation and true presentation of annual reports free of any material misrepresentation deriving from fraud or error, the selection and application of the appropriate accounting policies and the accounting estimates reasonable in the given circumstances.

It is the responsibility of the auditor to assess the annual report based on the completed audit.

On 15th April, 2007 we issued a certificate without qualification for the annual report of the Company for the year of 2006.

We have performed the audit based on the National Auditing Standards and the laws and other statutes on auditing, in force in Hungary. The above considerations require that we comply with certain ethical requirements and that by the planning and performance of the audit sufficient and appropriate evidence must be obtained to demonstrate that the annual report does not contain any material misrepresentations.

The completed audit included the performance of procedures that were aimed to obtain auditing evidence about the amounts and disclosures contained in the annual report. The selected procedures, including the survey of the risks of material misrepresentations of the annual report, whether deriving from fraud or errors, depend on the judgment of the auditor. In conjunction with the annual report, the risk survey by the auditor is not meant to form an opinion about the efficiency of the internal audit of the enterprise.

The audit included the assessment of the applied accounting principles and major estimations of the senior management, as well as the presentation of the annual report. We are convinced that the obtained auditing evidence provides an appropriate basis for the grant of the auditor's certificate.

**Clause :**

In the audit we have reviewed the annual report of EWB Környezetvédelmi Kft. its details and items and the underlying accounting documents according to the contents of the valid national auditing standards, and based on that we have obtained sufficient and appropriate evidence that the annual report was prepared in accordance with the provisions of the accounting law and the general accounting principles accepted in Hungary.

We are convinced that the annual report gives a true and fair view of the asset, financial and income position of EWB Környezetvédelmi Kft. as of 31 December 2007.

Budapest, 31st January 2008

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Péter Honti  
Managing Director

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Julianna Toth  
Chartered Auditor  
003774

INTERAUDITOR Neuner + Henzl  
Consulting Ltd.  
000171



**Assets**  
31.12.2007  
in thousand HUF

No.	Denomination	Previous year	Modifications of previous years	Current year
<b>01</b>	<b>A. INVESTED ASSETS (I + II + III)</b>	<b>7 283</b>	<b>0</b>	<b>6 604</b>
02	I. INTANGIBLE ASSETS	82	0	3
03	II. FIXED ASSETS	7 201	0	6 601
04	III. INVESTED FINANCIAL INVESTMENTS	0	0	0
<b>05</b>	<b>B. CURRENT ASSETS (I + II + III + IV)</b>	<b>82 079</b>	<b>0</b>	<b>170 909</b>
06	I. INVENTORIES	12	0	47 323
07	II. RECEIVABLES	72 546	0	118 485
08	III. MARKETABLE SECURITIES	0	0	0
09	IV. CASH AT BANK AND IN HAND	9 521	0	5 101
<b>10</b>	<b>C. PREPAYMENTS AND ACCRUED INCOME</b>	<b>6 118</b>	<b>0</b>	<b>94</b>
<b>11</b>	<b>TOTAL ASSETS (A + B + C)</b>	<b>95 480</b>	<b>0</b>	<b>177 607</b>

				<b>Liabilities</b>
<b>12</b>	<b>D. EQUITY (I + II + III + IV + V + VI + VII)</b>	<b>15 925</b>	<b>0</b>	<b>24 399</b>
13	I. ISSUED CAPITAL	15 000	0	15 000
14	II. ISSUED BUT UNPAID CAPITAL (→)	0	0	0
15	III. CAPITAL RESERVE	0	0	0
16	IV. ACCUMULATED PROFIT RESERVE	606	0	925
17	V. TIED-UP RESERVE	0	0	0
18	VI. EVALUATION RESERVE	0	0	0
19	VII. BALANCE SHEET PROFIT OR LOSS FIGUR	319	0	8 474
<b>20</b>	<b>E. PROVISIONS FOR RISK, LIABILITIES AND CHARGES</b>	<b>0</b>	<b>0</b>	<b>8 028</b>
<b>21</b>	<b>F. LIABILITIES (I + II + III)</b>	<b>75 341</b>	<b>0</b>	<b>143 958</b>
22	I. SUBORDINATED LIABILITIES	0	0	0
23	II. LONG TERM LIABILITIES	2 631	0	1 707
24	III. SHORT TERM LIABILITIES	72 710	0	142 251
<b>25</b>	<b>G. ACCRUALS AND DEFERRED INCOME</b>	<b>4 214</b>	<b>0</b>	<b>1 222</b>
<b>26</b>	<b>TOTAL EQUITY &amp; LIABILITIES (D + E + F + G)</b>	<b>95 480</b>	<b>0</b>	<b>177 607</b>

**“A” Profit and Loss Statement**  
**(with aggregate costs procedure)**  
31.12.2007  
in Thousand HUF

No.	Denomination	Previous year	Modifications of Previous year(s)	Current year
1. I.	NET SALES REVENUES	132 737	0	248 452
2. II.	CAPITALISED VALUE OF OWN PERFORMANCE	0	0	0
3. III.	OTHER REVENUES	6 521	0	1
4. IV.	MATERIAL-TYPE EXPENDITURES	69 817	0	151 245
5. V.	PAYMENTS TO PERSONNEL	45 689	0	70 494
6. VI.	DEPRECIATION	2 368	0	2 413
7. VII.	OTHER EXPENDITURES	24 151	0	10 776
8. A.	<b>PROFIT OF OPERATIONS (I+II+III-IV-V-VI-VII)</b>	<b>-2 767</b>	<b>0</b>	<b>13 525</b>
9. VIII.	INCOME FROM FINANCIAL TRANSACTION	2 808	0	2 277
10. IX.	EXPENDITURES OF FINANCIAL TRANSACTIONS	1 715	0	3 253
11. B.	<b>FINANCIAL PROFIT OR LOSS (VIII-IX)</b>	<b>1 093</b>	<b>0</b>	<b>-976</b>
12. C.	<b>PROFIT OR LOSS ON ORDINARY ACTIVITIES (A+B)</b>	<b>-1 674</b>	<b>0</b>	<b>12 549</b>
13. X.	EXTRAORDINARY INCOME	2 119	0	0
14. XI.	EXTRAORDINARY EXPENDITURES	0	0	197
15. D.	<b>EXTRAORDINARY PROFIT OR LOSS FIGURE (X-XI)</b>	<b>2 119</b>	<b>0</b>	<b>-197</b>
16. E.	<b>PRE-TAX PROFIT OR LOSS (C+D)</b>	<b>445</b>	<b>0</b>	<b>12 352</b>
17. XII.	TAX LIABILITIES	126	0	3 878
18. F.	<b>AFTER TAX PROFIT OR LOSS (E-XII)</b>	<b>319</b>	<b>0</b>	<b>8 474</b>
22. XIII.	DIVIDENDS PAID OF ACCUMULATED PROFIT RESERVE	0	0	0
23. XIV.	DIVIDENDS PAID (APPROVED)	0	0	0
21. G.	<b>BALANCE SHEET PROFIT OR LOSS FIGURE (F+22-23)</b>	<b>319</b>	<b>0</b>	<b>8 474</b>

**NOTES TO THE SIMPLIFIED FINANCIAL STATEMENTS OF  
EWB-MBE INTERNATIONAL KÖRNYEZETVÉDELMI KFT. AS OF DECEMBER 31, 2007**

(All the sums are stated in thousand HUF unless otherwise noted)

**1. General Information**

The EWB-MBE International Environment Limited founded the company on 10.12.2002.

The company was founded as a one-person limited company for undetermined time. The Court of Registry signed the company to its registration on 04.02.2003.

On 08.02.2005 a new owner obtained shares in the Company.

The present members of the Company and the ownership share are the following :

99% EWB-MBE Kft.

1% Horváth Károly

The Company's main activity :

7420'03 Engineering activities, consultancy services

Other signed activities :

2821'03 Manufacture of metallic containers

2830'03 Manufacture of steam boilers

2921'03 Manufacture of annealing furnace

2922'03 Manufacture of material lifting and moving machines

2923'03 Manufacture of not household coolers and air-controllers

2924'03 Manufacture of other general machinery not listed elsewhere

5190'03 Wholesale of other machine, transport machine

7430'03 Technical inquiry, analyses

7487'03 Other economical services not listed elsewhere

Market position (main sales fields, purchase sources)

Although the market demand of power-plant investments is on the wane in Hungary or rather in the surrounding countries even so the environmental protection gets more and more significant part.

The most important for us is the preservation of existing partner relationships and the high level compilation in technical and economic aspect of the given offers to prospective customers.

The fair cooperation with the foreign partners, which was developed last years and the excellent quality of the planned and delivered equipments ensured a large magnitude of contracts for 2007, which continue in 2008. We would like to emphasize the following :

1. Participation in the planning and delivering of equipments of the power-plant reconstruction in Obrenovac Tent-B (Serbia).
2. Planning and delivering of the chalk powder conveyor of the thermal power station in Rybnik, Poland
3. Participation in the reconstruction of the 1. and 2. unit of the thermal power station in Kangal, Turkey
4. There are more carbon power plant project planned in India in which our Indian owner intend to entrust our company principally conception processing and planning similar to last years.

There are also further expected jobs from the prepared and issued offers.

## 2. *Main guidelines of the accounting policy*

The company meets its accounting obligation by preparing simplified annual report.

The company prepares its balance sheet relating to the financial year that corresponds to the calendar year.

The Company prepares "A" type balance sheet.

The Company states its profit by cost summary method and prepares its profit and loss statement with cost summary method ("A" type).

The Company maintains double-entry bookkeeping.

The Company does not use the account classes Nr. 6-7.

The Company stated its B/S date on 31st January following the current year considering all assets and liabilities.

The Company keeps analytical registers of invested assets and of income accounting.

The balance sheet is published at the Company-registration and Company-information Service of the Ministry of Justice.

## 3. *Valuation of equity, financial and income position*

The Company works profitable, but it has problems in liquidity.

The following index numbers make possible the detailed analysis (data in HUF thousand)

### Value of production

Description	2007	2006
Annual net sales revenues	248 452	132 737
Capitalised value of own performance		
Cost of goods sold	-54 506	-5 221
Value of services sold	-22 847	-26 899
Value of production	171 099	100 617

Profit on revenues = (Profit before taxation/Net sales revenues) \* 100

In 2007                      12 352 / 248 452 x 100)                      =                      5.0%

In 2006                                      445 / 132 737 x 100                                      =                      0.3%

Profit on implement = (Profit before taxation / Total implement) \* 100

In 2007                      12 352 / 177 607 x 100                                      =                      7.0%

In 2006                                      445 / 95 480) x 100                                      =                      0.5%

Profit on capital = (Profit before taxation / Own capital) \*100

In 2007  $12\,352 / 24\,399 \times 100 = 50.6\%$

In 2006  $445 / 15\,925 \times 100 = 2.8\%$

Composition of assets and liabilities = The assets and liabilities break-down in sum and with index according to main classes.

Description	31-12-2007		31-12-2006	
	sum	%	sum	%
Invested assets	6 604	3.7	7 283	7.6
Current assets	170 909	96.2	82 079	86.0
Prepaid expenses	94	0.1	6 118	6.4
<b>Total assets</b>	<b>177 607</b>	<b>100.0</b>	<b>95 480</b>	<b>100.0</b>
Equity	24 399	13.7	15 925	16.7
Provision	8 028	4.5	0	0.0
Liabilities	143 958	81.1	75 341	78.9
Accrued expenses	1 222	0.7	4 214	4.4
<b>Total liabilities</b>	<b>177 607</b>	<b>100.0</b>	<b>95 480</b>	<b>100.0</b>

Strength of capital = (Equity / Total liabilities) \* 100

In 2007  $24\,399 / 177\,607 \times 100 = 13.7\%$

In 2006  $15\,925 / 95\,480 \times 100 = 16.7\%$

Capital supply = [ Equity / (Invested assets + inventories) ] \* 100

In 2007  $24\,399 / (6\,604 + 47\,323) \times 100 = 45\%$

In 2006  $15\,925 / (7\,283 + 12) \times 100 = 218\%$

Cash earned = Profit per balance sheet + depreciation

In 2007  $8\,474 + 2\,413 = 10\,887$

In 2006  $319 + 2\,368 = 2\,687$

Liquidity rate = Liquid assets / Short term liabilities

In 2007  $170\,909 / 142\,251 = 1.20$

In 2006  $82\,079 / 75\,341 = 1.09$

Dividend on capital = [ Dividend paid (approved) / Issued capital ] \* 100

In 2006 there was no approved dividend

In 2007 there was no approved dividend

**4. Notes to the balance sheet**

It was not necessary to regroup in the balance sheet, figures of the prior and the current year are comparable. The range, qualifying and valuation methods were not changed. (Values in the charts are expressed in one thousand HUF.)

Break-down gross value, depreciation and net value of assets :

<i>Description</i>	<i>Opening value</i>	<i>Addition</i>	<i>Disposal</i>	<i>Closing value</i>
<b>Gross value</b>				
Rights representing money or monies worth	0	0	0	0
Intellectual property	563	0	0	563
Real estate	0	0	0	0
Technical tangible assets	4 264	0	0	4 264
Other tangible assets	9 255	1 459	414	10 300
Investments	0	0	0	0
In quantity registred assets	0	275	275	0
<b>Total invested assets</b>	<b>14 082</b>	<b>1 734</b>	<b>689</b>	<b>15 127</b>
<b>Depreciation</b>				
Rights representing money or monies worth	0	0	0	0
Intellectual property	481	79	0	560
Real estate	0	0	0	0
Technical tangible assets	2 023	639	0	2 662
Other tangible assets	4 295	1 420	414	5 301
In quantity registred assets	0	275	275	0
<b>Total invested assets</b>	<b>6 799</b>	<b>2 413</b>	<b>689</b>	<b>8 523</b>
<b>Net value</b>				
Rights representing money or monies worth	0	–	–	0
Intellectual property	82	–	–	3
Real estate	0	–	–	0
Technical tangible assets	2 241	–	–	1 602
Other tangible assets	4 960	–	–	4 999
Investments	0	–	–	0
<b>Total invested assets</b>	<b>7 283</b>	<b>–</b>	<b>–</b>	<b>6 604</b>

The Company accounts depreciation by linear method.

Assets do not comprise rights representing money or monies worth.

Among intellectual property the Company has software with depreciation of 30-40%.

The real estate is not shown among assets.

Among technical tangible assets the Company shows the equipment to modelling of pneumatic transport. Its depreciation is 15%.

Among other tangible assets the Company shows the office equipments and IT assets with depreciation of 25% and 33%, the second hand assets' depreciation is 16,6%, 40% and 50%, furthermore automobile's depreciation is 16%.

The Company accounts the depreciation of assets with purchase value below HUF 50 000 in one amount at activation. Later these assets are recorded only in quantity.

The purchased automobile has only a residual value.

There was no value loss, respectively rebooked value loss in 2007.

The Company did not show goodwill depreciated in more than 5 years.

There were no adjustments in the accounting of depreciation charged on tangible assets.

The Company has no financial investment at balance cut-off date.

<i>Description</i>	<i>2007</i>	<i>2006</i>
Accounts receivables	96 670	32 153
Receivables from related company	0	35 044
Deposit	1 019	1 019
Tax receivables	1 351	1 528
VAT receivables	13 204	0
VAt receivables	6 235	2 771
Other receivables	0	31
<b>Total receivable</b>	<b>118 485</b>	<b>72 546</b>

Changes of equity in the financial year :

<i>Description</i>	<i>Opening value</i>	<i>Addition</i>	<i>Disposal</i>	<i>Closing value</i>
Subscribed capital	15 000	0	0	15 000
Accumulated profit reserve	606	319	0	925
Net profit per balance sheet	319	8 474	319	8 474
<b>Total equity</b>	<b>15 925</b>	<b>8 793</b>	<b>319</b>	<b>24 399</b>

The net profit of the last year was HUF 319 thousand, which sum increased the accumulated profit reserve.

In 2007 the net profit per balance sheet was HUF 8 474 thousand which the owner raised the accumulated profit reserve.

The Company figured a provision in value of HUF 8 028 thousand for liabilities under guaranties.

There are no subordinated liabilities shown in the balance sheet.

The Company had no commitments exceeding 5 years.

The Company had no bank guarantee at the end of 2007.

Liabilities :

<i>Description</i>	<i>2007</i>	<i>2006</i>
Investment credit over 1 year maturity	1 707	2 631
<b>Total long term liabilities</b>	<b>1 707</b>	<b>2 631</b>
Investment credit - 1 year maturity	924	888
Other short term loan	9 338	0
Advances from debtors	36 233	0
Trade creditors	73 016	59 547
Short term liabilities to affiliated undertakings	4 500	4 500
Short term liabilities from dividend to affiliated undertakings	900	1 200
Liabilities against tax authority and selfpension-funds	17 340	6 522
Liabilities from wages and salaries	0	53
<b>Total short term liabilities</b>	<b>142 251</b>	<b>72 710</b>

The Company does not have material financial liability, which was not included in the balance sheet.

5. *Notes to the profit and loss statement*

The Company did not change the type of the profit statement, so the data are comparable.

<i>Description</i>	<i>2007</i>	<i>2006</i>
Domestic revenues from Indian owner	-9 447	48 711
Domestic revenues from the Hungarian chain store of Slovak partner	16 252	1 227
Domestic revenues from the Polish chain store of Austrian partner	7 435	0
Domestic revenues from the Serbian partner	51 444	3 690
Domestic revenues from domestic partners	54 484	69 837
<b>Total domestic revenues</b>	<b>120 168</b>	<b>123 465</b>
Export revenues from Austrian partner (Polish chain)	114 826	0
Export revenues from Austrian partner	4 556	1 583
Export revenues from German partner	0	4 608
Export revenues from Serbian partner	16 849	0
Export revenues from Korean partner (export to Saudi-Arabia)	0	-392
Export revenues from Serbian partner (export to Bosnia-Herczegovina)	-7 947	3 473
<b>Total export revenues</b>	<b>128 284</b>	<b>9 272</b>

<i>Description</i>	<i>2007</i>	<i>2006</i>
7420'03 Engineering consulting	89 953	68 801
5190'03 Other wholesale	30 215	54 664
<b>Total domestic revenues</b>	<b>120 168</b>	<b>123 465</b>
7420'03 Engineering consulting	0	3 474
5190'03 Other wholesale	128 284	5 798
<b>Total export revenues</b>	<b>128 284</b>	<b>9 272</b>



Break-down of material type and other services used :

<b>Description</b>	<b>2007</b>	<b>2006</b>
Rental fee	5 389	5 483
Legal activity	220	28
Accounting, tax expert services	2 898	2 760
Audit fee	2 630	100
Accommodation and travelling costs	2 312	1 566
Transport and duty costs	2 135	486
Post, phone, internet costs	1 425	1 646
Planning and fulfilment	821	550
Other services used	1 999	2 309
<b>Total material type services used</b>	<b>19 829</b>	<b>14 928</b>
Bank costs	1 128	1 229
Insurance fee	536	632
Other services	247	226
<b>Total other services</b>	<b>1 911</b>	<b>2 087</b>

<b>Description</b>	<b>2007</b>	<b>2006</b>
Interest income on bank account	15	8
Booked FX changes	2 262	2 800
<b>Total financial revenues</b>	<b>2 277</b>	<b>2 808</b>
Paid interest of credit investment	141	251
Paid interest to individual	232	0
Booked FX changes	2 863	1 464
Other items	17	0
<b>Total financial expenditures</b>	<b>3 253</b>	<b>1 715</b>

Extraordinary revenues was not accounted, extraordinary expense was booked in value of HUF 197 thousand, which was a released receivable.

Corporate tax base modifying items and allowances :

<b>Description</b>	<b>Decreasing items</b>	<b>Increasing items</b>	<b>Tax allowance</b>
Provision for guarantee liability		8 028	
Depreciation according to the Tax Law (book value of assets led out)	2 341		
Depreciation according to the Law on Accounting (net value of assets led out)		2 413	
Released liabilities		197	
Additional charge because of tax defaults, paid to the tax authority		453	
<b>Total</b>	<b>2 341</b>	<b>11 091</b>	<b>0</b>

The tax base modifying items relating to the depreciation and the provision have effects on the future.

Special corporate tax base modifying items and allowances :

<i><b>Description</b></i>	<i><b>Decreasing</b></i>	<i><b>Increasing</b></i>
Released receivable	0	197
<b>Total</b>	<b>0</b>	<b>197</b>

The tax base modifying has no effect on the future.

The tax liability consists of corporate tax in value of HUF 3 376 thousand and special corporate tax in value of HUF 502 thousand.

In 2007 the Company do not have any research and development activity.

The Company did not get any support or export support.

There are not shown deferred expenses and accrued revenues.

**6. Other information data**

Number and salaries of employees :

<i><b>Description</b></i>	<i><b>2007</b></i>	<i><b>2006</b></i>
Average statistical staff	10	9
Salaries	39 586	23 789
Commissions fee	6 878	6 964
Food contribution	1 160	930
Costs of inland and foreign delegation	4 329	2 253
Travel expenses allowances	610	449
Sick leave	87	381

The management and members of Supervisory Board did not received any advance or loan, and the Company did not take over any guarantee obligation, interest instead of them.

Board of directors does not work at the Company.

To sign the annual financial report is authorized :

Horvath Karoly manager (1111 Budapest, Karinthy Frigyes ut 20)

For compilation of the annual financial reports is responsible :

Halak Eva (reg. nr : 003374)

For the independent audit are responsible :

Interauditor Kft, 1125 Budapest, Szilagyi Erzesebet avenue 22/A (reg. nr: 000171), Toth Julianna (reg. Nr: 006646)

External and internal audit did not disclose material fault.

The Company does not have task in connection with environment protecting.

Budapest, January 31, 2008

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General manager

FINANCIAL STATEMENTS  
OF  
EWB-MBE INTERNATIONAL KÖRNYEZETVÉDELMI KFT.  
AS OF 31ST DECEMBER 2007

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**REPORT OF THE INDEPENDENT AUDITOR  
TO THE OWNER OF EWB-MBE INTERNATIONAL KÖRNYEZETVÉDELMI KFT.**

We have completed the audit of the enclosed annual report of EWB-MBE International Környezetvédelmi Kft. for the year 2007, which annual report consists of the balance sheet prepared for the effective date of December 31, 2007 – in which the matching total sum of assets and liabilities is 15 797 thousand HUF, the balance sheet earnings total 106 thousand HUF (profit) –, of the relevant profit and loss statements for years ending on that date, as well as the supplement containing a summary of major accounting policies and other explanatory notes.

The preparation and true presentation of the annual report in line with the provisions of the accounting law and the principles generally accepted in Hungary is the responsibility of the management. This responsibility includes the development, implementation and maintenance of a regime of internal audit relevant for the preparation and true presentation of annual reports free of any material misrepresentation deriving from fraud or error, the selection and application of the appropriate accounting policies and the accounting estimates reasonable in the given circumstances.

It is the responsibility of the auditor to assess the annual report based on the completed audit.

On 31st January, 2007 we issued a certificate without qualification for the annual report of the Company for the year of 2006.

We have performed the audit based on the National Auditing Standards and the laws and other statutes on auditing, in force in Hungary. The above considerations require that we comply with certain ethical requirements and that by the planning and performance of the audit sufficient and appropriate evidence must be obtained to demonstrate that the annual report does not contain any material misrepresentations.

The completed audit included the performance of procedures that were aimed to obtain auditing evidence about the amounts and disclosures contained in the annual report. The selected procedures, including the survey of the risks of material misrepresentations of the annual report, whether deriving from fraud or errors, depend on the judgment of the auditor. In conjunction with the annual report, the risk survey by the auditor is not meant to form an opinion about the efficiency of the internal audit of the enterprise.

The audit included the assessment of the applied accounting principles and major estimations of the senior management, as well as the presentation of the annual report. We are convinced that the obtained auditing evidence provides an appropriate basis for the grant of the auditor's certificate.

**Clause :**

In the audit we have reviewed the annual report of EWB-MBE International Környezetvédelmi Kft its details and items and the underlying accounting documents according to the contents of the valid national auditing standards, and based on that we have obtained sufficient and appropriate evidence that the annual report was prepared in accordance with the provisions of the accounting law and the general accounting principles accepted in Hungary.

We are convinced that the annual report gives a true and fair view of the asset, financial and income position of EWB-MBE International Környezetvédelmi Kft as of 31 December 2007.

Budapest, 31st January, 2008

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Peter Honti  
Managing Director

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Julianna Toth  
Chartered Accountant  
006646

INTERAUDITOR Neuner + Henzl  
Consulting Ltd.  
000171

**EWB-MBE INTERNATIONAL**  
**KÖRNYEZETVÉDELMI KFT.**

**Assets**

31.12.2007  
in thousand HUF

No.	Denomination	Previous year	Modifications of previous years	Current year
01	<b>A. INVESTED ASSETS (I + II + III )</b>	<b>10 000</b>	<b>0</b>	<b>10 000</b>
02	I. INTANGIBLE ASSETS	0	0	0
03	II. FIXED ASSETS	0	0	0
04	III. INVESTED FINANCIAL INVESTMENTS	10 000	0	10 000
05	<b>B. CURRENT ASSETS (I + II + III + IV)</b>	<b>5 792</b>		<b>5 797</b>
06	I. INVENTORIES	0	0	0
07	II. RECEIVABLES	5 776	0	5 400
08	III. MARKETABLE SECURITIES	0	0	0
09	IV. CASH AT BANK AND IN HAND	16	0	397
10	<b>C. PREPAYMENTS AND ACCRUED INCOME</b>	<b>0</b>	<b>0</b>	<b>0</b>
11	<b>TOTAL ASSETS (A + B + C)</b>	<b>15 792</b>	<b>0</b>	<b>15 797</b>

**Liabilities**

1.	<b>D. EQUITY I + II + III + IV + VI + VII</b>	<b>10 348</b>	<b>0</b>	<b>10 454</b>
2.	I. ISSUED CAPITAL	9 900	0	9 900
3.	II. ISSUED BUT UNPAID CAPITAL (–)	0	0	0
4.	III. CAPITAL RESERVE	0	0	0
5.	IV. ACCUMULATED PROFIT RESERVE	2 208	0	448
6.	V. TIED-UP RESERVE	0	0	0
7.	VI. EVALUATION RESERVE	0	0	0
8.	VII. BALANCE SHEET PROFIT OR LOSS FIGURE	–1 760	0	106
9.	<b>E. PROVISIONS FOR RISK, LIABILITIES AND CHARGES</b>	<b>0</b>	<b>0</b>	<b>0</b>
10.	<b>F. LIABILITIES I + II + III</b>	<b>5 331</b>	<b>0</b>	<b>5 243</b>
11.	I. SUBORDINATED LIABILITIES	0	0	0
12.	II. LONG TERM LIABILITIES	0	0	0
13.	III. SHORT TERM LIABILITIES	5 331	0	5 243
14.	<b>G. ACCRUALS AND DEFERRED INCOME</b>	<b>113</b>	<b>0</b>	<b>100</b>
15	<b>TOTAL EQUITY &amp; LIABILITIES D + E + F + G</b>	<b>15 792</b>	<b>0</b>	<b>15 797</b>

**“A” Profit and Loss Statement  
(with aggregate costs procedure)**

31.12.2007  
in Thousand HUF

No.	Denomination	Previous year	Modifications of Previous years	Current year
1. I.	Net Sales Revenues	0	0	500
2. II.	Capitalised value of own performance	0	0	0
3. III.	Other revenues	0	0	0
4. IV.	Material type expenditures	259	0	260
5. V.	Payments to personnel	0	0	129
6. VI.	Depreciation	0	0	0
7. VII.	Other expenditures	3	0	0
<b>8. A.</b>	<b>PROFIT OF OPERATIONS (I+II+III-IV-V-VI-VII)</b>	<b>-259</b>	<b>0</b>	<b>111</b>
9. VIII.	Income from financial transactions	1	0	0
10. IX.	Expenditures of financial transactions	2	0	0
<b>11. B.</b>	<b>FINANCIAL PROFIT OR LOSS (VIII-IX)</b>	<b>-1</b>	<b>0</b>	<b>0</b>
<b>12. C.</b>	<b>PROFIT OR LOSS ON ORDINARY ACTIVITIES (A + B)</b>	<b>-260</b>	<b>0</b>	<b>111</b>
13. X.	Extraordinary income	0	0	0
14. XI.	Extraordinary expenditures	1 500	0	0
<b>15. D.</b>	<b>EXTRAORDINARY PROFIT OR LOSS FIGURE (X-XI)</b>	<b>-1 500</b>	<b>0</b>	<b>0</b>
<b>16. E.</b>	<b>PRE-TAX PROFIT OR LOSS (C + D)</b>	<b>-1 760</b>	<b>0</b>	<b>111</b>
17. XII.	Tax liabilities	0	0	5
<b>18. F.</b>	<b>AFTER TAX PROFIT OR LOSS (E-XII)</b>	<b>-1 760</b>	<b>0</b>	<b>106</b>
22.	Dividends paid out of accumulated profit reserve	0	0	0
23.	Dividends paid (approved)	0	0	0
<b>21. G.</b>	<b>BALANCE SHEET PROFIT OR LOSS FIGURE (F+22-23)</b>	<b>-1 760</b>	<b>0</b>	<b>106</b>

**NOTES TO THE SIMPLIFIED, FINANCIAL STATEMENTS OF**  
**EWB-MBE INTERNATIONAL KÖRNYEZETVÉDELMI KFT. AS OF DECEMBER 31, 2007**  
 (All the sums are stated in thousand HUF unless otherwise noted)

**1. General Issues**

The Company started its operations as a limited liability company on January 1, 1991.

**The Company's spheres of activity include the following :**

- 74.20 Engineering activities, consultancy services
- 28.21 Manufacture of metallic containers
- 28.30 Manufacture of steam boilers
- 29.22 Manufacture of material lifting and moving machines
- 29.24 Manufacture of other general machinery not listed elsewhere
- 51.65 Wholesale of other machine, transport machine

**Present member of the Company and its ownership share :**

ownership share : 100%                                      McNally Bharat Engineering Ltd. – Calcutta

**2. Main guidelines of the accounting policy**

The company meets its accounting obligation by preparing simplified annual report.

The company prepares its balance sheet relating to the financial year that corresponds to the calendar year.

The Company prepares „A” type balance sheet.

The Company states its profit by cost summary method and prepares its profit and loss statement with cost summary method („A” type).

The Company maintains double-entry bookkeeping.

The Company does not use the account classes Nr. 6-7.

The Company stated its B/S date on 31th January following the current year considering all assets and liabilities.

The Company keeps analytical registers of invested assets and of income accounting.

The balance sheet is published at the Company-registration and Company-information Service of the Ministry of Justice.

**3 The Company's equity, financial and income position**

The Company closed the financial year with a profit, it has not problems in liquidity.

*Supporting figures :*

<b>Value of own performance</b>	<b>2007</b>	<b>2006</b>
Annual net sales revenues	500	
+ Capitalized value of self-manufactured assets		
– Cost of goods sold		
– Value of subcontracted work		
Value of own performance	500	0

Profit on revenues :

Profit before taxation \* 100

Net sales revenues

In 2007                                       $111 / 500 * 100 = 22 \%$

In 2006                                      not applicable

Profit on assets

Profit before taxation \* 100

Total assets

In 2007                                       $111 / 15\,792 * 100 = 7 \%$

In 2006                                       $-1\,760 / 15\,792 * 100 = -11.14 \%$

# EWB-MBE INTERNATIONAL

## KÖRNYEZETVÉDELMI KFT.

Profit on capital :

Profit before taxation \* 100

Equity

In 2007  $111 / 10\,454 * 100 = 1 \%$

In 2006  $-1\,760 / 10\,348 * 100 = -17.01 \%$

*Composition of assets and liabilities* = The assets and liabilities break-down in sum and with index according to main classes.

Description	31.12.2007		31.12.2006	
	Sum	%	Sum	%
Invested assets	10 000	63,3	10 000	63,32
Current assets	5 797	36,7	5 792	36,68
Prepaid expenses	0	0,00	0	0,00
<b>Total assets</b>	<b>15 797</b>	<b>100,0</b>	<b>15 792</b>	<b>100,0</b>
Equity	10 454	66,2	10 348	65,53
Provision	0	0,00	0	0,00
Liabilities	5 243	33,2	5 331	33,76
Accrued expenses	100	0,6	113	0,71
<b>Total liabilities</b>	<b>15 797</b>	<b>100,0</b>	<b>15 792</b>	<b>100,0</b>

*Strength of capital :*

Equity \* 100

Total liabilities

In 2007  $10\,454 / 15\,797 * 100 = 66.2\%$

In 2006  $10\,348 / 15\,792 * 100 = 65.5\%$

*Capital supply :*

Equity x 100

Invested assets + inventories

In 2007  $10\,454 / (10\,000 + 0) * 100 = 104.54 \%$

In 2006  $10\,348 / (10\,000 + 0) * 100 = 103.48 \%$

*Cash earned :*

Profit per balance sheet + depreciation

In 2007  $106 + 0 = 106$

In 2006  $-1\,760 + 0 = -1\,760$

*Liquidity rate :*

Liquid assets

Short term liabilities

In 2007  $5\,797 / 5\,243 = 1.11$

In 2006  $5\,776 / 5\,331 = 1.08$

*Dividend on capital :*

Dividend paid (approved) \* 100

Issued capital

In 2007 there was no approved dividend

In 2006 there was no approved dividend

#### 4 Notes to the balance sheet

It was not necessary to regroup in the balance sheet, figures of the prior and the current year are comparable. The range, qualifying and valuation methods were not changed. (Values in the charts are expressed in one thousand HUF).

Break-down gross value, depreciation and net value of intangible and tangible assets :

<i>Description</i>	<i>Opening value</i>	<i>Addition</i>	<i>Disposals</i>	<i>Closing value</i>
<b>Gross value</b>				
Rights representing money or monies worth	0			0
Intellectual property	26			26
Real estate	0			0
Technical tangible assets	0			0
Other tangible assets	0			0
Investments	0			0
In quantity registered assets	0			0
<b>Total invested assets</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>26</b>

<b>Depreciation</b>				
Rights representing money or monies worth	0			0
Intellectual property	26			26
Real estate	0			0
Technical tangible assets	0			0
Other tangible assets	0			0
In quantity registered assets	0			0
<b>Total invested assets</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>26</b>



<b>Net Value</b>				
Rights representing money or monies worth	0			0
Intellectual property	0			0
Real estate	0			0
Technical tangible assets	0			0
Other tangible assets	0			0
Investments	0			0
<b>Total invested assets</b>	<b>0</b>			<b>0</b>

The company used linear method depreciation.

Among intellectual property the Company has software.

The Company accounts the depreciation of assets with purchase value below HUF 50 000 in one amount at activation. Later these assets are recorded only in quantity.

There was no value loss, respectively rebooked value loss in 2007.

The Company did not show goodwill depreciated in more than 5 years.

There were no adjustments in the accounting of depreciation charged on tangible assets.

The investment in EWB Környezetvédelmi Kft. is shown among financial investments in amount of HUF 10 000 thousand.

A receivable is shown against EWB Kft. in value of HUF 5400 thousand.

A liquid assets consists of HUF 5 thousand cash, and HUF 392 thousand on bank account.

The company has no prepaid expense.

Breakdown of equity

<i>Description</i>	<i>Opening value</i>	<i>Addition</i>	<i>Disposal</i>	<i>Closing value</i>
Subscribed capital	9 900	0	0	9 900
Accumulated profit reserve	2 208	0	1 760	448
Net profit per balance sheet	-1 760	1 866	0	106
Total equity	10 348	1 866	1 760	10 454
Tide up capital	0	0	0	0

The accumulated profit reserve decreased by the loss of the previous period.

The net profit per balance sheet amounts to HUF 106 thousand, which will increase the accumulated profit reserve.

Provision for probable expenses is not shown in the balance sheet.

There are no subordinated liabilities shown in the balance sheet.

The Company had no commitments exceeding 5 years.

The company doesn't have liabilities secured by right of pledge or other right.

The short term liabilities consist of liabilities against the owner in value of HUF 5 211 thousand, trade liabilities in value of HUF 14 thousand and tax liability in value of HUF 18 thousand.

The Company does not have material financial liability which is not included in the balance sheet.

## 5 *Notes to the profit and loss statement*

The Company did not change the method of profit accounting. Data of P/L statement is comparable to the prior year P/L statement. (Values in the charts are expressed in one thousand HUF)

The income of the financial year comes from engineering activity. The company has no incomes from export activity.

Break-down of material type and other services used :

<i>Description</i>	<i>2007</i>	<i>2006</i>
Auditing services	100	200
<b>Total material type services used</b>	<b>100</b>	<b>100</b>
Bank costs	152	151
Other services	8	8
<b>Total other services</b>	<b>160</b>	<b>159</b>

In 2007 the Company did not perform research and development and it didn't get any support. The company has no extraordinary revenue / expense, or postponed revenue / expense in 2007.

Tax base modifying items and allowances :

<i>Description</i>	<i>Decreasing items</i>	<i>Increasing items</i>	<i>Tax allowance</i>
Loss carried forward	109	0	0
<b>Total</b>	<b>109</b>	<b>0</b>	<b>0</b>

Tax base modifying items don't have any effect on the future.

(The company had loss carried forward in value of HUF 2 023 thousand from the year 2000, HUF 6 870 thousand from the year 2002. These decreasing items was useable for 5 years, so 2007 was the last year for using the tax decreasing facility. The company had no more loss carried forward).

The payable corporate tax is HUF 1 thousand, the payable special corporate tax is HUF 4 thousand.

## 6 *Other information data*

The Company didn't employ any employee in 2007.

The management and members of Supervisory Board did not received any advance or loan, and the Company did not take over any guarantee obligation, interest instead of them. Board of directors does not work at the Company.

External and internal audit did not disclose material fault.

The Company does not have task in connection with environment protecting.

To sign the annual financial report is authorised :

Harmath Erno manager (1027 Budapest, Ganz utca 11)

For compilation of the annual financial reports is responsible :

Halak Eva (reg. nr : 003374)

For the independent audit are responsible :

Interauditor Kft, 1125 Budapest, Szilagyi Erzsébet avenue 22A (reg. nr: 000171), Toth Julianna (reg. nr: 006646)

Budapest, January 31, 2008.

.....  
 Peter Honti  
 Managing Director



**Auditors Report to the Board of Directors of McNALLY BHARAT ENGINEERING COMPANY LIMITED**

1. We have audited the attached consolidated Balance Sheet of McNALLY BHARAT ENGINEERING COMPANY LIMITED and its Subsidiaries as at 31st March, 2008, the consolidated Profit and Loss Account for the year ended on that date annexed thereto, and the consolidated Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the management of McNALLY BHARAT ENGINEERING COMPANY LIMITED. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries whose financial statements reflect total assets of Rs.10125 (000) as at 31st March, 2008, total revenues of Rs.56189 (000) and net cash outflows of Rs.963 (000) for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of McNALLY BHARAT ENGINEERING COMPANY LIMITED and its subsidiaries included in the consolidated financial statements.
5. *As indicated in Note 6 on Schedule 22 to the accounts, in view of the prolonged nonconclusive status of the power project set up by Jayamkondam Lignite Power Corporation Limited (JLPC) in which the Group was a Co-promoter, we are unable to comment on the recoverability of the investment amount due from JLPC amounting to Rs.1,08,06,995 in these accounts.*
6. On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of McNally Bharat Engineering Company Limited and its aforesaid subsidiaries, in our opinion, *subject to our remarks in paragraph 5 above*, the 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 consolidated state of affairs of the McNally Bharat Engineering Company Limited and its subsidiaries as at 31st March, 2008;
  - b) in the case of the consolidated profit and loss account, of the consolidated results of operations of McNally Bharat Engineering Company Limited and its subsidiaries for the year ended on that date and
  - c) in the case of the consolidated cash flow statement, of the consolidated cash flows of McNally Bharat Engineering Company Limited and its subsidiaries for the year ended on that date.

Kolkata, 14th June, 2008

Prabal Kr. Sarkar  
Partner  
Membership number: 52340  
For and on behalf of  
Lovelock & Lewes  
Chartered Accountants

**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008**

	Schedule No.	As at 31st March, 2008 (Rs.'000)	As at 31st March, 2007 (Rs.'000)
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
a) Capital	1	286,871	267,797
b) Reserves and Surplus	2	1,085,277	675,094
<b>2. Share Warrant Application Money</b> (Refer Note 13 in Schedule 22)		209,653	20,777
<b>3. Minority Interest</b>		55	34
<b>4. Loan Funds</b>			
a) Secured Loans	3	506,499	706,693
b) Unsecured Loans	4	122,049	466,209
<b>5. Deferred Tax Liability</b>	13	11,383	7,022
<b>Total</b>		<b>2,221,787</b>	<b>2,143,626</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
a) Gross Block		990,912	785,752
b) Less: Depreciation and Amortisation		366,368	328,523
c) Net Block	5	624,544	457,229
<b>2. Capital Work In Progress</b>		185,799	113,689
<b>3. Investments</b>	6	139,682	38,710
<b>4. Current Assets, Loans and Advances</b>			
a) Inventories	7	266,910	188,172
b) Sundry Debtors	8	3,734,535	2,617,788
c) Cash and Bank Balances	9	706,272	546,723
d) Loans and Advances	10	1,003,581	670,604
		<b>5,711,298</b>	<b>4,023,287</b>
<b>Less: Current Liabilities and Provisions</b>			
a) Liabilities	11	4,366,794	2,436,055
b) Provisions	12	72,742	53,234
		<b>4,439,536</b>	<b>2,489,289</b>
<b>Net Current Assets</b>		<b>1,271,762</b>	<b>1,533,998</b>
<b>Total</b>		<b>2,221,787</b>	<b>2,143,626</b>
<b>Notes on Accounts</b>	22		

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

PRABAL KR SARKAR  
Partner  
Membership No. 52340  
For and on behalf of  
LOVELOCK & LEWES  
Chartered Accountants  
Kolkata, 14 June, 2008

DEEPAK KHAITAN – Chairman  
SRINIVASH SINGH – Managing Director  
P.K. GHOSH – Chief Financial Officer  
D. CHATTERJEE – Company Secretary



**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

	Schedule No.	For the year ended 31st March, 2008 (Rs. '000)	For the year ended 31st March, 2007 (Rs. '000)
<b>INCOME</b>			
Sale of Products and Contracts	14	5,524,001	5,042,543
Agency Commission		11,842	13,603
Sale of scrap		10,295	5,917
Other Income	15	9,302	51,180
<b>Total</b>		<b>5,555,440</b>	<b>5,113,243</b>
<b>EXPENDITURE</b>			
Materials	16	3,027,540	3,191,901
(Increase)/Decrease in Jobs-in-progress	17	27,279	(99,741)
Outsourcing Expenses to outsiders for job work		954,616	922,649
Expenses	18	1,120,775	785,280
Advance/ Debts written off/ Provision/ Liabilities written back (net)	19	(11,410)	11,125
Depreciation and Amortisation	20	23,080	17,771
Interest and Finance charges (Net)	21	89,022	90,297
<b>Total</b>		<b>5,230,902</b>	<b>4,919,282</b>
<b>PROFIT BEFORE TAXATION</b>		<b>324,538</b>	<b>193,961</b>
<b>TAXATION FOR THE YEAR</b>			
Current Tax		86,467	20,288
Deferred Tax (Refer Note 15 on Schedule 22)		7,945	1,932
Fringe Benefit Tax		5,513	3,596
		99,925	25,816
<b>PROFIT AFTER TAXATION</b>		<b>224,613</b>	<b>168,145</b>
Less : Minority Interest	19	19	13
		<b>224,594</b>	<b>168,132</b>
Brought forward from previous year		250,598	113,797
		<b>475,192</b>	<b>281,929</b>
<b>APPROPRIATIONS</b>			
Proposed Dividend		31,094	26,780
Dividend for last year		636	—
Corporate Dividend Tax for last year		116	—
Corporate Dividend Tax		5,284	4,551
Balance carried forward		438,062	250,598
		<b>475,192</b>	<b>281,929</b>
<b>Notes on Accounts</b>	22		
Earnings per Share (Refer Note 17 on Schedule 22)			
Basic		8.12	6.34
Diluted		7.54	6.34

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

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

PRABAL KR SARKAR

Partner

Membership No. 52340

For and on behalf of

LOVELOCK & LEWES

Chartered Accountants

Kolkata, 14 June, 2008

DEEPAK KHAITAN – Chairman

SRINIVASH SINGH – Managing Director

P.K. GHOSH – Chief Financial Officer

D. CHATTERJEE – Company Secretary

## SCHEDULES

	As at 31st March, 2008 (Rs. '000)	As at 31st March, 2007 (Rs. '000)
<b>1. Capital</b>		
<b>Authorised</b>		
4,00,00,000 (2006-07 – 4,00,00,000) Equity Shares of Rs.10/- each	<u>400,000</u>	<u>400,000</u>
<b>Issued and Subscribed</b>		
2,86,87,112 Equity Shares of Rs. 10/- each fully paid up (2006-07 - 2,67,79,700 Equity Shares of Rs.10/- each fully paid up) Refer Note 12 in Schedule 22	286,871	267,797
Note :		
Of the above Shares :		
i) 4,86,100 Shares were allotted as fully paid-up pursuant to Contracts without payments being received in cash;		
ii) 12,57,930 Shares were issued as fully paid-up Bonus Shares by Capitalisation of General Reserve		
<b>Total</b>	<u><b>286,871</b></u>	<u><b>267,797</b></u>
<b>2. Reserves and Surplus</b>		
Capital Redemption Reserve	100	100
Securities Premium Account		
Balance as per last account	270,549	239,779
Add: Addition during the year [net of Issue Expenses relating to Foreign Currency Convertible Bonds (FCCB) after adjustment of tax effect amounting to Rs.1,70,957 (2006-07 Rs.1,15,10,962)] (Refer Note 12 in Schedule 22)	253,515	30,770
Balance as at 31st March, 2008	<u>524,064</u>	<u>270,549</u>
Revaluation Reserve as per last account	76,121	100,580
Less: Transferred to Profit and Loss Account	24,117	24,202
Less: Amount withdrawn on assets sold	—	257
Balance as at 31st March, 2008	<u>52,004</u>	<u>76,121</u>
General Reserve		
Balance as per last account	77,256	77,256
Less: Amount withdrawn in view of transitional provision in compliance with AS 15 (Revised) (Refer Note 14 in Schedule 22)	6,791	—
Balance as at 31st March, 2008	<u>70,465</u>	<u>77,256</u>
Foreign Currency Translation Reserve	582	470
Profit and Loss Account		
Balance as per last account	250,598	113,797
Add: Profit for the year	187,464	136,801
Balance as at 31st March, 2008 3275.9009	<u>438,062</u>	<u>250,598</u>
<b>Total</b>	<u><b>1,085,277</b></u>	<u><b>675,094</b></u>



**SCHEDULES**

	As at 31st March, 2008 (Rs. '000)	As at 31st March, 2007 (Rs.'000)
<b>3. Secured Loans</b>		
From Banks		
Overdraft including Working Capital Demand Loans (including interest accrued and due Rs. Nil; 2006-07 - Rs.3,41,978) (Secured by hypothecation of all Stocks, Book Debts and by way of first charge on certain fixed assets of the company)	467,915	586,933
Term Loans Secured by way of subservient charge on all fixed and current assets of the Co. and a guarantee from United India Insurance Company Limited (including interest accrued and due Rs. Nil; 2006-07 - Rs.96,340)	16,670	105,322
Equipment Finance Loan (Secured by hypothecation of the tangible movable assets acquired out of these loans.)	—	2,700
Car Loans (Secured by hypothecation of motor vehicles acquired out of these loans.)	3,483	5,245
From Others :		
Equipment Finance Loan (Secured by hypothecation of the tangible movable assets acquired out of these loans.)	18,431	6,493
<b>Total</b>	<b>506,499</b>	<b>706,693</b>
<b>4. Unsecured Loans</b>		
Short Term Loan:		
From banks (including interest accrued and due Rs. Nil; 2006-07 - Rs.628,477)	—	73,750
From others	2,139	—
Other Loans:		
From others:		
Car Loan	—	149
4.5% Foreign Currency Convertible Bond (Refer Note 12 on Schedule 22)	119,910	392,310
<b>Total</b>	<b>122,049</b>	<b>466,209</b>

**SCHEDULES**

**5. Fixed Assets**

Rs. '000

Particulars	GROSS BLOCK AT COST / VALUATION			DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 31st March, 2007	Additions/ Adjustment (Refer Note 4)	Sale / Adjustment	As at 31st March, 2008	As at 31st March, 2007	For the year/ Adjustment (Refer Note 5)	On sale / Adjustment	As at 31st March, 2008	As at 31st March, 2007
<b>Tangible Assets</b>									
Free Hold Land (Refer Note 2)	15,427	56,555	—	71,982	—	—	—	71,982	15,427
Lease Hold Land (Refer Note 1)	51,715	21,722	—	73,437	150	882	—	72,405	51,565
Building (Refer Note 2)	245,640	6,251	7,912	243,979	107,197	5,197	7,912	139,497	138,443
Plant & Machinery	306,363	113,329	1,016	418,676	148,863	21,259	286	248,840	157,500
Furniture & Fixture	11,218	7,049	167	18,100	6,730	2,006	136	9,500	4,488
Refrigerators & Air Conditioners	7,426	2,012	7	9,431	2,344	362	7	6,732	5,082
Office Equipments	7,102	1,012	1,218	6,896	3,724	556	799	3,481	3,378
Vehicles	9,302	772	815	9,259	2,421	727	190	6,301	6,881
Telephone Plant	1,526	52	—	1,578	634	58	—	886	892
Cooking Appliances	94	—	—	94	87	—	—	7	7
<b>INTANGIBLE ASSETS</b>									
Goodwill	3,569	40	—	3,609	—	—	—	3,609	3,569
Technology for:									
Pump (Refer Note 3)	75,290	—	—	75,290	30,116	7,529	—	37,645	45,174
Mineral Processing Equipment									
(Refer Note 3)	26,297	—	—	26,297	10,520	2,630	—	13,147	15,777
Vibrating Screens	8,572	—	—	8,572	5,736	1,712	—	1,124	2,836
Granulators etc.	4,289	—	—	4,289	2,577	861	—	851	1,712
Computer Software	11,922	7,501	—	19,423	7,424	3,396	—	8,603	4,498
<b>TOTAL</b>	<b>785,752</b>	<b>216,295</b>	<b>11,135</b>	<b>990,912</b>	<b>328,523</b>	<b>47,175</b>	<b>9,330</b>	<b>624,544</b>	<b>457,229</b>
Previous Year	870,277	32,330	116,855	785,752	321,892	42,085	35,454	457,229	

- Notes :
- Gross Block of Leasehold Land includes land allotted by Karnataka Industrial Area Development Board on lease cum sale basis for a period of six years amounting to Rs.3,109 (000). At the end of six years the lease shall be converted into sale subject to the fulfilment of the conditions of allotment and payment of the price of land in full after adjustment of the amount already paid.
  - Additions during the year represents Land and Building acquired at a consolidated price apportioned on the basis of Municipal valuation.
  - Acquired on amalgamation.
  - Includes exchange difference Rs.53,000 (2006-07 - Rs.1,06,000)
  - Includes exchange difference Rs.22,000 (2006-07 - Rs.1,12,000)
- Also Refer Note 8 in Schedule 22





**SCHEDULES**

	As at 31st March, 2008 (Rs. '000)	As at 31st March, 2007 (Rs.'000)
<b>6. Investments - Unquoted unless otherwise stated</b>		
Current - Other than trade		
Investment in 1,22,491.443 Units (2006-07 Nil Units) of Standard Chartered Liquidity Manager-Plus-Fund- Short Term Plan - Growth	138,975	—
Investment in Nil Units (2006-07 31,32,727.352 Units) of Grindlays Floating Rate Fund- Short Term Plan - Growth	—	38,003
<b>Long Term (at cost)</b>		
<b>A. TRADE INVESTMENTS</b>		
24,970 Equity shares of Rs.10 each fully paid in Jayamkondam Lignite Power Corporation Limited	250	250
<b>B. OTHER THAN TRADE</b>	1	1
100 shares of Rs10 each fully paid-up in McNally Bharat Co-operative Credit Society Limited		
10,960 Equity Shares of Rs 5 each fully paid up in Eveready Industries India Ltd.(Quoted)	228	228
10,960 Equity Shares of Rs 5 each fully paid up in Mcleod Russel India Ltd (Quoted)	228	228
<b>Total</b>	<b>139,682</b>	<b>38,710</b>
<b>Aggregate Book Value of Unquoted Investments</b>	139,226	38,254
<b>Aggregate Book Value of Quoted Investments</b>	456	456
<b>Aggregate Market Value of Quoted Investments</b>	1,149	1,398
<b>7. Inventories</b>		
Stores and Spare Parts (including In-Transit Rs.84,12,637; 2006-07 - Rs.64,97,729)	30,260	20,202
Loose Tools (including in transit Rs.Nil; 2006-07- Rs.5,23,420)	7,345	3,491
Raw Materials (including In-Transit Rs.6,97,12,160; 2006-07 - 1,86,22,741)	123,756	31,651
Jobs-in-Progress	105,549	132,828
<b>Total</b>	<b>266,910</b>	<b>188,172</b>

**SCHEDULES**

	As at 31st March, 2008 (Rs. '000)	As at 31st March, 2007 (Rs.'000)
<b>8. Sundry Debtors</b>		
Unsecured		
Debts outstanding for a period exceeding six months*		
– Considered good	1,493,124	1,151,033
– Considered doubtful	1,807	873
	1,494,931	1,151,906
Less : Provision	1,807	873
	1,493,124	1,151,033
Other Debts #	2,241,411	1,466,755
* Including Retention money not due Rs.1,05,09,70,286 (2006-07 Rs.95,39,35,419)		
# Including due from customers Rs.48,72,15,808 (2006-07 including due to customers Rs.4,77,36,075) not yet billed as per terms of contract (Refer Note 10 on Schedule 22)		
<b>Total</b>	<b>3,734,535</b>	<b>2,617,788</b>
<b>9. Cash and Bank Balances</b>		
Cash and Cheques in hand	28,345	90,417
Remittance in transit	4,550	5,784
With Scheduled Banks		
On Current Account *	645,217	115,026
On Deposit Account #	28,160	335,496
<b>Total</b>	<b>706,272</b>	<b>546,723</b>
* Includes Rs.26,50,70,609 (2006-07 Rs.Nil) in Escrow Account		
# Includes Rs.69,82,492 (2006-07 Rs. 31,02,226) pledged with Banks		
<b>10. Loan and Advances – Unsecured considered Good</b>		
Advances recoverable in cash or in kind or for value to be received (Refer Note 19 on Schedule 22)	820,297	443,142
Deposits with Government, Public bodies and Others	146,861	143,613
Balance with Central Excise	19,693	18,410
Advance payment of tax (net of Provision for Tax)	16,730	65,439
<b>Total</b>	<b>1,003,581</b>	<b>670,604</b>
<b>11. Current Liabilities</b>		
Acceptances	303,482	195,923
Sundry Creditors		
Dues to Micro and Small enterprises (Refer Note 18 on Schedule 22)	821	—
Others	1,692,135	1,487,973
Advance Payment from customers	2,218,799	605,662
Other Liabilities	151,391	141,888
Interest accrued but not due on loan	166	4,609
<b>Total</b>	<b>4,366,794</b>	<b>2,436,055</b>



## McNally Bharat Engineering Co Ltd

### SCHEDULES

	As at 31st March, 2008 (Rs. '000)	As at 31st March, 2007 (Rs.'000)
<b>12. Provisions</b>		
Proposed Dividend	31,094	26,780
Corporate Dividend Tax	5,400	4,551
Provision for Employee Benefits	36,248	21,903
<b>Total</b>	<b>72,742</b>	<b>53,234</b>
<b>13. Deferred Tax</b>		
<b>Liabilities :</b>		
Depreciation	17,588	8,536
<b>Assets :</b>		
Sec 43B items	(5,591)	(1,514)
Other items	(614)	—
<b>Total</b>	<b>11,383</b>	<b>7,022</b>
<b>14. Sale of Products and Contracts</b>		
Sale of Plant, Equipment and Spare Parts	685,274	420,137
Less : Excise Duty	127,855	125,817
	557,419	294,320
Contracts	4,966,582	4,748,223
<b>Total</b>	<b>5,524,001</b>	<b>5,042,543</b>
<b>15. Other Income</b>		
Service Charges	3,600	1,395
Miscellaneous Income	3,198	3,515
Profit on Sale of Current Investment (Net)	2,504	1,837
Profit on Sale of Long Term Investment (Net)	—	44,433
<b>Total</b>	<b>9,302</b>	<b>51,180</b>
<b>16. Materials</b>		
Balance as at 1st April 2007	31,651	55,657
Less : Share belonging to Joint Venture disposed off in last year	—	2,151
Add : Purchases	1,109,699	562,779
	1,141,350	616,285
Less : Balance as at 31st March 2008	123,756	31,651
Consumption of Raw Materials	1,017,594	584,634
Consumption of bought out Components and Spare Parts	1,983,842	2,607,267
Purchase of Traded Goods	26,104	—
<b>Total</b>	<b>3,027,540</b>	<b>3,191,901</b>

**SCHEDULES**

	For the year ended 31st March, 2008 (Rs. '000)	For the year ended 31st March, 2007 (Rs.'000)
<b>17. (Increase)/Decrease in Jobs-in-Progress</b>		
Balance as at 1st April 2007	132,828	34,733
Less: Share belonging to Joint Venture disposed off in last year	—	1,646
Balance as at 31st March 2008	105,549	132,828
<b>Total</b>	<b>27,279</b>	<b>(99,741)</b>
<b>18. Expenses</b>		
Salaries, wages and bonus	325,407	211,068
Contribution to provident and other funds	23,545	23,387
Workmen and staff welfare expenses	18,360	12,102
Professional Services	55,622	37,206
Consumption of Stores and Spare Parts	12,715	5,970
Power and Fuel	22,856	19,060
Building repairs and maintenance	3,970	1,085
Machinery repairs and maintenance	8,149	7,126
General repairs	31,486	26,038
Rent	19,082	13,204
Subscriptions and donations	2,755	1,140
Bank charges	105,892	59,506
Rates and taxes	24,470	15,057
Insurance	18,834	18,222
Cartage and freight	238,046	142,042
Directors' fees	590	505
Travelling	98,353	68,045
Running and maintenance of vehicles	3,874	2,892
Royalty	8,380	8,151
Inventories written off	—	4,000
Fixed Assets written off	1,261	—
Loss on Exchange Fluctuations (Net)	29,867	14,777
Commission Expenses	1,382	612
Provision for Bad and Doubtful Debts	934	873
Loss on sale of stock	—	10,441
Loss on sale of Fixed Assets (Net)	140	31,408
Miscellaneous	68,987	55,270
	1,124,957	789,187
Less: Transferred to Capital Work in Progress	4,182	3,907
<b>Total</b>	<b>1,120,775</b>	<b>785,280</b>



## McNally Bharat Engineering Co Ltd

### SCHEDULES

	For the year ended 31st March, 2008 (Rs. '000)	For the year ended 31st March, 2007 (Rs.'000)
<b>19. Advance/ Debts written off/ Provision/ Liabilities written back (net)</b>		
Debts written off	1,362	1,954
Advances written off	—	12,941
	<u>1,362</u>	<u>14,895</u>
Less :		
Debts/ Advances realised	1,596	411
Provision no longer required written back	—	350
Liabilities no longer required written back	11,176	3,009
<b>Total</b>	<b><u>(11,410)</u></b>	<b><u>11,125</u></b>
<b>20. Depreciation &amp; Amortisation</b>		
Total Charge	47,197	41,973
Less : Transferred from Revaluation Reserve	24,117	24,202
<b>Total</b>	<b><u>23,080</u></b>	<b><u>17,771</u></b>
<b>21. Interest and Finance charges</b>		
Interest		
On Fixed Loans	16,363	39,267
On Others	70,195	54,517
	<u>86,558</u>	<u>93,784</u>
Less : Interest earned (gross)		
On Fixed Deposit and Others (Tax deducted at source Rs.62,963 (2006-07 - Rs.24,370)	8,755	10,231
On Income Tax refund	4,054	5,688
	<u>73,749</u>	<u>77,865</u>
Bill Discounting charges	15,273	12,432
<b>Total</b>	<b><u>89,022</u></b>	<b><u>90,297</u></b>

## 22. Notes on Accounts

### Notes to Consolidated Financial Statements for the year ended 31st March, 2008

- The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 – “Consolidated Financial Statements” and Accounting Standard 27– “Financial Reporting of Interests in Joint Ventures”.

#### 2. List of Subsidiaries

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

Name of Company	Country of Incorporation	Proportion of Ownership Interest	Reporting Dates
EWB-MBE International Konyezetvedelmi Kft.	Hungary	100%	31/12/2007
EWB Konyezetvedelmi Kft.	Hungary	99%	31/12/2007

- The financial statements of EWB MBE International Konyezetvedelmi Kft. and EWB Konyezetvedelmi Kft., the Hungarian based subsidiaries of the company are prepared as per the applicable Acts and statutory requirements under the Hungarian laws. These have been audited by Hungarian Auditors under Hungarian laws. The balances of these companies have been considered for consolidation on a line to line basis. However, uniformity in the accounting policies between the holding company and its subsidiaries could not be ensured due to non availability of information from its subsidiaries. Such non uniformity in accounting policies do not have any material impact on the consolidated profit for the year ended 31st March, 2008 and the consolidated net assets position as at that date. The proportion of balances of its subsidiaries as compared to the corresponding balances of the consolidated financial statements are as below :

Net Fixed Assets	—	0.19 per cent		
Net Current Assets	—	0.61 per cent		
Total Income	—	1.01 per cent		
Total Expenditure	—	1.02 per cent		
			As at 31st March 2008	As at 31st March 2007
			Rs.'000	Rs.'000

- Other money for which the Company is contingently liable :

a) Excise Duty matters pending in appeal related to issues of applicability and classification	21,482	21,954
b) Sales Tax matters pending in appeal relating to disputes regarding assessable value and exemptions claimed	5,955	5,473
c) Income Tax matters pending in appeal before tax authorities	—	531

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



## SCHEDULES

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

5. During the year, the Company has acquired and sold the following investments :

<u>Name of Investment</u>	For the year ended 31st March 2008		For the year ended 31st March 2007	
	<u>No of Units</u> <u>('000)</u>	<u>Cost</u> <u>(Rs.'000)</u>	<u>No of Units</u> <u>('000)</u>	<u>Cost</u> <u>(Rs.'000)</u>
Grindlays Floating Rate Fund – Short Term Plan – Growth	1,957	24,500	10,322	123,684
Standard Chartered Liquidity Manager – Plus – Fund – Short Term Plan – Growth	179	200,428	—	—

6. Advances recoverable in cash or in kind or for value to be received include Rs.1,08,06,995 (2006-07 – Rs. 1,08,06,995) paid as pre-operational expenses incurred in connection with the power project at Tamil Nadu set up by Jayamkondam Lignite Power Corporation Limited (JLPC) of which the Company was one of the promoters. Consequent to the inordinate delay in finalizing the financial closure, the Company had expressed its willingness to withdraw from the project. As a result, Reliance Industries Ltd. was identified as a co-promoter by Tamil Nadu Industries Development Corporation (TIDCO) and the Company was assured that the amount will be returned as soon as financial closure is reached. Currently there is indication that the project will be jointly undertaken by Tamil Nadu Electricity Board and Neyveli Lignite Corporation, which are Government Undertakings. The project is being actively pursued by the State Government and the Company is in regular touch with JLPC and is confident of recovery of such amount. Accordingly, no provision for these dues is considered necessary at this stage by the management.
7. The company had entered in September 2003 a joint venture agreement with Elsamex S.A. where officially it was appointed as a subcontractor in "West Bengal Corridor Development Project – Improvement of Gazole Hilli Section of SH 10 with a link to Balurghat from Patiram," (the project). However consequent to considerable delay in execution of the project the Public Works Department of Government of West Bengal (PWD) had terminated the contract in January 2006. The company and Elsamex S.A. feels that such delay in execution was due to the inability of PWD to hand over the stretch of land for widening of road and non-availability of construction drawings on time by PWD. The company has a legitimate claim of Rs.15,16,90,568 towards receivable and Rs.11,33,09,901 on account of deposit against Performance Guarantee. Elsamex S.A. has already moved to arbitration and has claimed an amount of Rs.73,34,03,024 including an additional claim on consequential losses as per guidelines of "Federation Internationale Des Ingenieurs-Conseils" (FIDIC). Arbitration proceedings are underway, however pending settlement of the arbitration proceeding, the company is confident in recovering at least an amount not less than the recoverable shown in its books and considers that no provision towards such amounts recoverable is necessary at this stage.
8. Land, Buildings and major Plant and Machinery as at 31st May 1984 are stated as per valuation made by a Chartered Engineer and Registered Valuer at the then market value. Subsequently, Land, Buildings and Plant and Machinery located at Kumardhubi Factory have been revalued by Registered Valuers at the Net Replacement Cost on 31st December, 2002 and on 28th February 2006, resulting in a further increase in value of these assets by Rs.16,15,87,228/- and Rs.11,16,32,970 respectively.
9. The Company has leasing arrangements in respect of operating leases for premises (residential, office, etc.). These leasing arrangements which are not non-cancellable are for a period of 3 years, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent under Schedule 18.

## SCHEDULES

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

10. Information in respect of contracts in progress :

	2007-08 Rs. in '000	2006-07 Rs. in '000
Contract costs incurred	10,442,334	6,151,498
Add: Recognised profits net of recognised losses	<u>708,531</u>	<u>416,935</u>
Contract Revenues	11,150,865	6,568,433
Progress billing	<u>10,663,649</u>	<u>6,616,169</u>
Due from customers	808,564	202,114
Due to customers	<u>321,348</u>	<u>249,850</u>
Advance payments received	2,101,438	549,904
Amount of retentions	<u>854,843</u>	<u>1,076,799</u>

11. Capitalisation of Borrowing Cost :

Capital Work In Progress includes Rs.30,51,785 towards capitalisation of interest on borrowings for acquiring qualifying assets in accordance with Accounting Standard 16 (Borrowing Cost).

12. During the year ended 31.3.2007, the Company had issued 4.5% Foreign Currency Convertible Bond (FCCB) worth US\$ 10 million, convertible at Rs. 143/- per share at the option of the bondholders, within the tenure of the bonds. Out of the above issue an amount of US\$ 1 million was converted by the bondholders in January 2007 and an amount of US\$ 6 million converted during the year ended 31.3.2008. The remaining amount of US\$ 3 million was also converted on 4.4.2008.

The utilisation of the FCCB proceeds is given below :

	Amount Rs. '000
FCCB issue proceeds	455,500
Less : Overseas issue costs	8,314
Less : Exchange loss on remittance	<u>25,094</u>
Net proceeds	422,092
Interest earned on overseas deposit	<u>15,222</u>
Total FCCB Fund	<u>437,314</u>
Utilisation :	
Capital expenditure	292,474
Repayment of loan	135,304
Indian cost of FCCB issue	9,382
Overseas Bank Charges	<u>154</u>
	<u>437,314</u>

13. The Company had issued 14,53,000 Convertible Warrants during the year ended 31.3.2007 to certain Promoters, Associates and Senior Management of the Company at the rate of Rs.143 per warrant which was later revised to Rs144.29 during the year ended 31.3.2008. An amount of 10% of the Warrant value based on the original issue price was paid on application during the year ended 31.3.2007 and the balance amount has been received in full during the year ended 31.3.2008. Such warrants were converted to equity shares on 4.4. 2008 and as on 31.3.2008 the money received has been disclosed as Share Warrant application money in the Balance Sheet.





## SCHEDULES

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

#### 14. Defined Benefit Plans :

As per Actuarial valuation as on 31st March, 2008 and recognised in the financial statements in respect of Defined Employee Benefit Schemes

<u>Description</u>	<u>Gratuity (Funded) Rs.in'000</u>	<u>Leave Encashment (Unfunded) Rs.in'000</u>
(a) Reconciliation of Opening and Closing balances of the Present Value of the Defined Benefit Obligation		
Present Value of Obligation at the beginning of the year	32,816	18,386
Current Service Cost	3,355	5,927
Interest Cost	2,939	1,656
Actuarial (Gains)/Losses	5,225	(2,264)
Benefits Paid	(3,589)	(674)
Present Value of Obligation at the end of the year	40,746	23,031
(b) Reconciliation of the Opening and Closing balances of Plan Assets		
Fair Value of Plan Assets at the beginning of the year	20,736	—
Actual Return on Plan Assets	2,133	—
Actuarial Gains/(Losses)	—	—
Contributions	11,029	674
Benefits paid	(3,589)	(674)
Fair Value of Plan Assets at the end of the year	30,309	—
(c) Reconciliation of the Present Value of the Defined Benefit Obligation and the Fair Value of Plan Assets		
Present Value of Obligation at the end of the year	40,746	23,031
Fair Value of Plan Assets at the end of the year	30,309	—
Assets/(Liabilities) recognized in the Balance Sheet	(10,437)	(23,031)
(d) Expense recognised in the Profit and Loss Account		
Current Service Cost	3,355	5,927
Interest Cost	2,939	1,656
Actuarial (Gains)/Losses	5,225	(2,264)
Total Expense recognized	11,519	5,319
(e) Category of Plan Assets :		
Fund with LIC	30,309	—
Total	30,309	—
(f) Actuarial Assumptions		
Discount Rate ( Per annum )	7.50%	7.50%
Expected Rate of Return on Assets ( Per annum )	8.50%	0.00%
Mortality Rate	In accordance with standard table LIC (1994-96) ultimate	

## SCHEDULES

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

#### Notes :

- (a) The estimates of future salary increases, considered in actuarial valuations, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The expected return on plan assets is based on actuarial expectation of the average long term rate of return expected on investment of funds during the estimated term of the obligation.
  - (b) This being the first year adoption of Accounting Standard 15 (Revised 2005) on Employees Benefits, only the current year figures have been given. The amount of present value of the obligations, fair value of plan assets, surplus or deficit in the plan and experience adjustment arising on plan liabilities and plan assets for the previous four annual period accounts are not available and therefore not disclosed.
  - (c) Pursuant to the transitional provisions of AS 15 (Revised) on Employee Benefits an amount of Rs.67,91,387 (net of taxes) being the shortfall in opening liability has been debited to General Reserve.
  - (d) Amount recognized as an expense :
    - (i) Contribution to Salaries, wages and bonus in Schedule 18 includes Leave Encashment of Rs.53,19,000.
    - (ii) Contribution to provident and other funds in Schedule 18 includes Gratuity of Rs.96,12,640.
    - (iii) Contribution to Workmen and staff welfare expenses in Schedule 18 includes Long Service Award of Rs.42,000 and Sick Leave of Rs.805,000.
    - (iv) Contribution to provident and other funds in Schedule 18 includes Rs.1,38,63,743 towards contribution to Defined Contribution plans viz. Provident Fund, Pension Fund and Superannuation Fund.
15. Deferred tax expense for the year is after considering Rs.34,97,034 (2006-07 Rs.Nil) being tax effect of opening shortfall in Employee Benefits determined in accordance with AS 15 (Revised) adjusted against General Reserve and Rs.88,030 (2006-07 - Rs.59,26,000) being tax effect of expenses relating to issue of Foreign Currency Convertible Bonds adjusted against Securities Premium Account respectively.
16. Related party disclosures as required by AS-18 "Related Party Disclosures" are given below :
1. Relationships:  
Key Management Personnel :  
Mr. Srinivash Singh – Managing Director
  2. The following transactions were carried out with the related parties in the ordinary course of business:
 

Remuneration	–	11,551 (7,929)
Dividend paid	–	0.9 (0.5)
Advance paid	–	— (35)
Application money received on convertible warrants	–	260 (29)

Figures in bracket are for the year ended 31st March 2007.



**SCHEDULES**

**22. Notes on Accounts (Contd.)**

17. Earning Per Share	As at 31st March, 2008 Rs. in '000	As at 31st March, 2007 Rs. in '000
<b>Net profit attributable to equity shareholders</b>		
Profit after tax	<u>224,594</u>	<u>168,132</u>
Net profit available for basic earnings per share	<u>224,594</u>	<u>168,132</u>
<b>Net profit attributable to equity shareholders</b>		
Net profit available for basic earnings per share	224,594	168,132
Add: Interest to be saved on dilutive potential equity shares (Net of taxes)	5,126	—
Less: Exchange gain on Foreign Currency Convertible Bonds (Net of taxes)	(7,169)	—
Net profit available for dilutive earnings per share	<u>222,551</u>	<u>168,132</u>
<b>No. of weighted average equity shares</b>		
Basic	27,655,233	26,508,830
Effect of dilutive equity shares on account of: Foreign Currency Convertible Bonds and Convertible warrants	<u>1,867,802</u>	<u>—</u>
Diluted	<u>29,523,035</u>	<u>26,508,830</u>
<b>Nominal value of equity share (Rs.)</b>	10.00	10.00
<b>Earnings per share (Rs.)</b>		
Basic	8.12	6.34
Diluted	7.54	6.34
18. (i) Details of Dues to Micro and Small enterprises:		
	Principal Rs. in '000	Interest Rs. in '000
a) The principal amount and interest due thereon remaining unpaid to any supplier as at the end of the year	802	19
b) The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during the year	386	—
c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprise Development Act, 2006.	—	—
d) The amount of interest accrued and remaining unpaid at the end of accounting year	—	19
e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro Small and Medium Enterprise Development Act, 2006	—	19

## SCHEDULES

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

The above information has been compiled in respect of parties to the extent to which they could be identified as Micro and Small Enterprises under Micro, Small and Medium Enterprises Development Act, 2006 on the basis of information available with the Company.

- (ii) Previous year sundry creditors include Rs.66,49,187 due to Small Scale Industrial Undertakings. The Small Scale Industrial undertakings in respect of which amounts payable were outstanding for more than 30 days were Anand Auto Engg. Works Pvt. Ltd. (Rs.85,890), B. M. Engineering Works (Rs.104,996), J. J. Industries (Rs.5,47,456), Khan Brothers (Rs.1,35,669), Parent Metal Engineering (Rs.39,284), Prakash Spectro Cast Pvt. Ltd. (Rs.4,45,523), Rusa Industries (Rs.430,445), S. K. Engineering Works (Rs.4,554), Shape Machine Tools Pvt. Ltd. (Rs.3,08,661), Singh Engineering Works (Rs.47,312), Sri Guru Electricals (Rs.18,686), T. D. Udyog (Rs.339,657), Benedict Traders & Engineering Works (Rs.52,054), BBS Alloys (Rs.2,88,094), Hydro Tools & Engineering (Rs.4,295), Ideal Fibre Glass Industries (Rs.1,350), Industrial Rubber Products (Rs.61,962), Satya Engineering Enterprises (Rs.55,634), Balaji Enterprises (Rs.29,912), Bhadra Metal Products (Rs.107,311), Do all Do Well Engineering (Rs.52,820), S. M. Engineering Works (Rs.77,340), Allied Engineers (Rs.49,029), Patterns India & Engineering Works (Rs.65,404), Vasuki Udyama (Rs.45,260), Murali Fab Systems (Rs.108,258), Jayveecons (Rs.78,086), Nagalakshmi Industries (Rs.49,053), S M Industries (Rs. 14,392), Singh Engineering Works (Rs. 29,894), Surya Rubbers (Rs.38,812), Meta Cast (Rs.8,400), S. V. Fabs (Rs.117,460), Sri Lakshmi Engineering & Technology (Rs.519), A. P. Tools (Rs.75,364), A R. S. Steel Traders (Rs.521), Leo Engineers (Rs.9,510), Sri Ganesh Enterprises (Rs.1,508), Savita Suppliers (Rs.10,851), MIL Industries Ltd. (Rs.65,721).

Previous year information has been compiled in respect of parties to the extent to which they could be identified as Small Scale Industrial Undertaking on the basis of information available with the Company.

19. Advances recoverable in cash or in kind or for value to be received in Schedule 10 includes an amount due from Director of Rs.Nil (2006-07 – Rs.35,000).

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

#### 21. Significant Accounting Policies :

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

#### ii. BASIS OF ACCOUNTING.

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

#### iii. FIXED ASSETS.

- a) Fixed Assets other than those revalued are stated at their cost. Cost includes Inward Freight, Duties and Taxes and Expenses incidental to acquisition and installation. Borrowing costs related to the acquisition or construction of the qualifying assets for the period upto the completion of their acquisition or construction are capitalized. Own manufactured assets are capitalized at cost including an appropriate share of overheads.

#### b) Depreciation.

Depreciation on assets is provided on Straight Line Method as below :

- (i) In respect of assets acquired prior to 1st June 1987 at rates specified in Income-tax Act 1961 and rules made thereunder and in terms of section 205(2)(b) of the Companies Act, 1956 prevailing at the time of acquisition of the assets.



## SCHEDULES

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

- (ii) For assets acquired on or after 1st June 1987 at rates specified in Schedule XIV to the Companies Act, 1956 as prevailing on the date of acquisition of the assets except as follows :

Certain items of plant and machinery 7.07%, 11.31%

- (iii) Freehold Land and Leasehold Land (Perpetual Lease) are not depreciated. Other Leasehold land are amortised over the period of lease.

In respect of revalued assets, depreciation on amount added on revaluation is recouped from revaluation reserve.

- c) Profit & Loss on disposal of Fixed Assets is recognized in Profit & Loss Account.
- d) Intangible Assets represents technologies for pumps and mineral processing equipments (acquired on amalgamation) and technical know-how for vibrating screens and granulators which are amortized over a period of ten years and five years respectively under straight line method. Intangible assets also include computer software which are amortized over a period of three to five years.
- e) Amortizations of revalued intangible assets are recouped from Revaluation Reserve, wherein the credit was given on its valuation.
- f) The excess / deficit of the cost to the Company of its Investments over its share in equity of the subsidiary companies as on date (or as near to the date as practicable) of takeover is recognised in the consolidated financial statements as goodwill / capital reserve.
- g) An impairment loss is recognized where applicable when the carrying value of the Fixed Assets exceeds its market value or value in use, whichever is higher.
- iv. GOVERNMENT GRANTS.
- Grants / Subsidies that relate to Capital Expenditure are deducted from the cost of the assets. Other grants / subsidies are credited to the Profit and Loss Account.
- v. INVESTMENTS
- Investments that are readily realizable and intended to be held for not more than one year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost. However provision for diminution in value is made to recognize a decline other than temporary in the value of investments.
- vi. STOCK & JOBS-IN PROGRESS.
- Inventories including Jobs-in-Progress are stated at cost or under cost.
- In case of raw materials and stores and spares, such cost is arrived on Weighted Average Basis. Cost comprises of expenditure incurred in the normal course of business in bringing Stocks and Jobs-in-Progress to their location and condition (including appropriate overheads in case of Jobs-in-Progress, calculated on a basis appropriate to the business carried on by the Company). Where the current estimate of total cost and revenue in respect of Jobs-in-Progress covered by customers' orders indicate a loss, provision is made for entire loss.
- Loose tools are written off over a period of ten years.
- 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.

## SCHEDULES

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

#### vii. REVENUE RECOGNITION

Revenue on contracts is recognized on percentage of completion method wherein the stage of completion is determined with reference to the ratio of the contract cost incurred for work performed upto the reporting date to the estimated total contract cost. In the case of unit rate contracts the stage of completion is determined with reference to the valuation of the actual amount of work completed as per the contracted rates. In cases where the current estimate of total contract cost and revenue indicate a loss, such loss is recognized as an expense.

#### viii. FOREIGN CURRENCIES

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

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

The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. The premium or discount arising at the inception of a forward exchange contract is amortised as expense or income over the life of the contract. Exchange differences on such a contract are recognized in the profit and loss account in the reporting period in which the exchange rates change. 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.

#### ix. SALES

Sales represent the invoiced value of goods and services supplied and exclude sales tax. Agency commission is recognized in terms of agency agreement.

#### x. INCOME FROM INVESTMENTS

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

#### xi. EMPLOYEE BENEFITS

##### a) **Defined Contribution Plans**

Provident Fund :

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

Pension :

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 Profit and Loss Account. The scheme, which is fully funded, is administered by Trustees and is independent of the Company's finance.



## SCHEDULES

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

#### b) Defined Benefit Plans

Gratuities and Leave Encashment :

The Company operates a Gratuity Fund Scheme for its employees. The liability in respect of contributions of these funds has been ascertained on the basis of actuarial valuation at the year-end and provided for. The scheme, which is funded is administered by Life Insurance Corporation of India (LIC). Accrued liability towards leave encashment benefits payable to employees has also been evaluated on the basis of actuarial valuation at the end of the year and has been recognized as a charge in the accounts.

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

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

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

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

#### xii BORROWING COSTS

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

#### xiii TAXES ON INCOME

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

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

Fringe Benefit Tax is accounted for based on the estimated value of Fringe Benefits for the period as per the related provisions of the Income-tax Act, 1961.

Kolkata, 14 June, 2008

DEEPAK KHAITAN – *Chairman*  
SRINIVASH SINGH – *Managing Director*  
P.K. GHOSH – *Chief Financial Officer*  
D. CHATTERJEE – *Company Secretary*

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2008

	For the year ended 31st March 2008 Rs'000		For the year ended 31st March 2007 Rs.'000	
<b>A. Cash Flow from Operating activities</b>				
<b>Net profit before tax</b>		<b>324,538</b>		<b>193,961</b>
Adjustments for :				
1. Depreciation	23,080		17,771	
2. Interest Charged	86,558		93,784	
3. Interest Income	(12,809)		(15,919)	
4. Loss/( Profit) on Sale of Fixed Assets (Net)	140		31,408	
5. Loss/(Profit) on Sale of Investment (Net)	(2,504)		(46,270)	
6. Bad Debts written off	1,362		1,954	
7. Advance written off	—		12,941	
8. Provision for bad and doubtful debts	934		873	
9. Liabilities no longer required written back	(11,176)		(3,009)	
10. Provision for employee benefits (Net)	4,057		3,364	
11. Inventories written off	—		4,000	
12. Fixed Assets written off	1,261		—	
13. Unrealised (gain)/ loss on exchange (Net)	(10,898)		(11,039)	
14. Foreign exchange (gain)/ loss on consolidation	(16)		339	
15. Provision no longer required written back	—	79,989	(350)	89,847
<b>Operating Profit Before Working Capital Changes</b>		<b>404,527</b>		<b>283,808</b>
Adjustments for :				
1. Trade & Other Receivables	(1,498,377)		(783,441)	
2. Inventories	(78,738)		(74,147)	
3. Trade Payables	1,945,539	368,424	742,995	(114,593)
<b>Cash Generated from Operations</b>		<b>772,951</b>		<b>169,215</b>
1. Direct Taxes Paid (net of refund received)	(43,271)		(1,058)	
		(43,271)		(1,058)
<b>Net Cash from Operating Activities</b>		<b>729,680</b>		<b>168,157</b>
<b>B. Cash Flow from Investing Activities :</b>				
Purchase of Fixed Assets	(288,405)		(144,196)	
Sale of Fixed Assets	404		34,580	
Interest Received	16,719		11,833	
Purchase of Investments	(138,975)		(149,722)	
Sale of Investments	40,507	(369,750)	133,516	(113,989)
<b>Net Cash used in Investing Activities</b>		<b>(369,750)</b>		<b>(113,989)</b>





**Cash Flow Statement (Contd.)**

	For the year ended 31st March 2008 Rs'000      Rs'000		For the year ended 31st March 2007 Rs.'000      Rs.'000	
<b>C. Cash Flow from Financing Activities:</b>				
Interest Paid	(92,050)		(88,110)	
Proceeds from issue of Share Capital	—		45,460	
Proceeds from share warrants application money	188,876		20,777	
Expenses on issue of Share Capital	(259)		(17,437)	
Proceeds from Long Term Borrowings	17,614		80,137	
Proceeds from issue of Foreign Currency Convertible Bonds	—		409,950	
Repayment of Long Term Borrowings	(97,723)		(241,844)	
Proceeds from Other Borrowings	—		148,255	
Repayment of Other Borrowings	(194,273)		—	
Dividend paid (including tax thereon)	(31,340)	(209,155)	(15,249)	341,939
Net Cash from Financing Activities		<u>(209,155)</u>		<u>341,939</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	150,775		396,107	
Cash & Cash Equivalents (Opening Balance)	555,497		161,804	
Less: Share of Joint Venture disposed off during the year	—		(2,414)	
Cash & Cash Equivalents (Closing Balance)	706,272		555,497	

**Notes to the Cash Flow Statement for the year ended 31st March 2008**

1. Cash & Cash Equivalents :

Cash & Cheques in Hand	28,345	90,417
Remittance in Transit	4,550	5,784
With Scheduled Banks:		
On Current Account	645,217	115,026
On Deposit Account	28,160	335,496
	<u>706,272</u>	<u>546,723</u>
Effect of exchange rate changes	—	8,774
Cash and cash equivalents as restated	<u>706,272</u>	<u>555,497</u>

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement.
- Cash and Cash Equivalents include Rs.69,82,492 (2006-07 - Rs.31,02,226) which are not available for use at the year end by the Company.
- 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.

PRABAL KR SARKAR  
Partner  
Membership No. 52340  
For and on behalf of  
LOVELOCK & LEWES  
Chartered Accountants  
Kolkata, 14 June, 2008

DEEPAK KHAITAN – Chairman  
SRINIVASH SINGH – Managing Director  
P.K. GHOSH – Chief Financial Officer  
D. CHATTERJEE – Company Secretary



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