

Exploring Global Presence

Annual Report 2008-09



McNally Bharat Engineering Co. Limited



McNally Bharat Engineering Co. Limited

DIRECTORS

Deepak Khaitan	Chairman
Shanti Prasad Singhi	Vice Chairman
Virendra Kumar Verma	
Sanjay Kumar Pasari	
Utsav Parekh	
Chandrakant Pasari	
Amritanshu Khaitan	
Subir Ranjan Dasgupta	
Srinivash Singh	Managing Director

COMPANY SECRETARY

D. Chatterjee

BANKERS

Bank of India
AXIS Bank Limited
Canara Bank
ICICI Bank Limited
ING Vysya Bank Limited
IDBI Bank 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	2005	2006	2007	2008	2009
Total Income	287.00	335.00	510.00	550.00	996.51
EBIDTA	11.51	18.07	30.82	43.44	86.55
PBT	3.45	6.60	20.08	32.30	51.37
PAT	2.63	5.25	17.50	22.40	34.12
Gross Dividend payout	0.56	1.51	3.13	3.70	4.55

Balance Sheet

Item	2005	2006	2007	2008	2009
Share Capital	19.78	26.46	26.78	28.68	31.09
Reserves	16.32	52.40	69.48	129.30	164.91
Net Worth	35.12	68.81	88.65	152.78	196.00
Loan Funds	61.44	79.54	117.28	62.64	151.02
Capital Employed	98.70	159.50	214.25	221.77	355.37
Net Fixed Assets	43.38	52.91	56.56	80.52	46.92
Net Working Capital	54.10	103.38	153.07	126.54	231.09

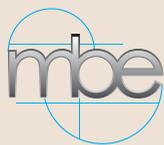
Ratios & Statistics

Item	2005	2006	2007	2008	2009
EBIDTA/Total Income (%)	4.04	5.39	5.94	7.89	8.69
PBT/Total Income (%)	1.21	1.97	3.87	5.87	5.15
Debt : Equity Ratio	1.78:1	1.17:1	1.32:1	0.40:1	0.77:1
ROCE (%)	12.06	12.95	15.11	15.40	24.35
RONW (%)	14.43	15.40	22.22	20.42	27.44
Current Ratio (Times)	1.36	1.61	1.65	1.29	1.23
Earnings per Share (Rs)	1.33	2.26	6.60	8.10	10.98

Note

ROCE = Return on Capital Employed

RONW = Return on Net Worth



Directors' Report

Your Directors have great pleasure in presenting the Fortysixth Annual Report together with audited statement of accounts for the year ended 31st March, 2009.

HIGHLIGHTS

The key highlights of the operations for the financial year 2008-09 over the previous year are :

- Total Income increased by 81%
- Earnings before Interest, Depreciation and Taxes increased by 99%
- Profit before Tax increased by 59%
- Earnings per Share increased by 36%
- Proposed Dividend per share Rs.1.25

FINANCIAL RESULTS

The Financial performance of the Company for the year ended 31st March, 2009 is summarized below:

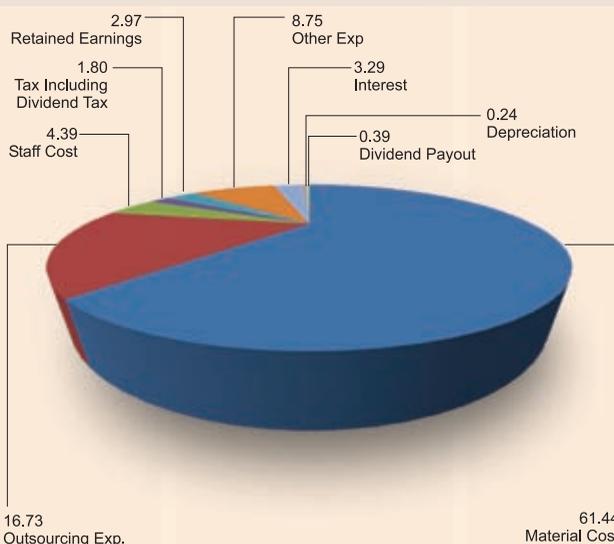
Rs. in Lacs

PARTICULARS	Stand Alone Year ending 31.03.2009	Consolidated Year ending 31.03.2009
Sales (net of excise) and other income	99,651	113,970
Profit before Interest, Depreciation, Tax & Amortisation (EBIDTA)	8,655	12,769
Less: Interest & finance charges	3,277	3,621
Earnings before depreciation, tax and ammortisation (EBDTA)	5,378	9,148
Less : Depreciation & Amortisation	241	950
Profit before Tax	5,137	8,198
Less : Provision for Taxation	950	1,808
Provision for Fringe Benefit Tax	55	75
Provision for Deferred Tax	720	997
Profit after Tax and before Minority Interest	3,412	5,318
Less – Minority interest & Proportionate share of preacquisition profit adjusted with goodwill	–	964
Profit after Tax and Minority Interest	3,412	4,354
Amount brought forward from Previous year	4,368	4,381
Profit available for Appropriations	7,780	8,735
Provision for Dividend	389	389
Provision for Dividend Tax	66	83
Transfer to General Reserve	180	180
Balance carried forward to Balance Sheet	7,145	8,083

OPERATIONS AND BUSINESS PERFORMANCE

Your Directors are pleased to report that 2008-09 turned out to be yet another record year during which your Company

DISTRIBUTION OF INCOME (FY '09)



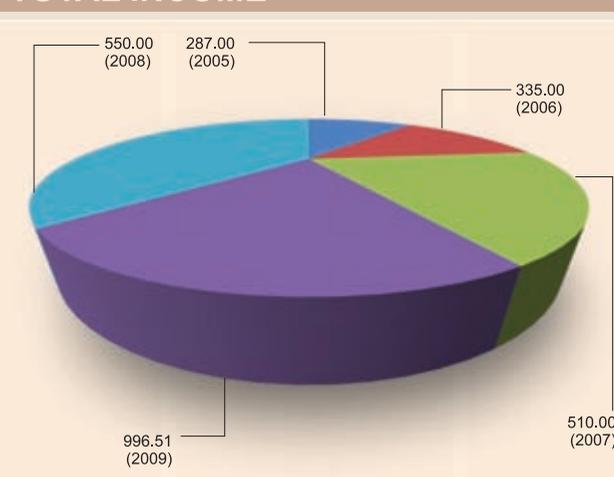
achieved highest ever turnover and profits. The total income for the year was Rs.996 crs as against Rs.550 crs during the previous year.

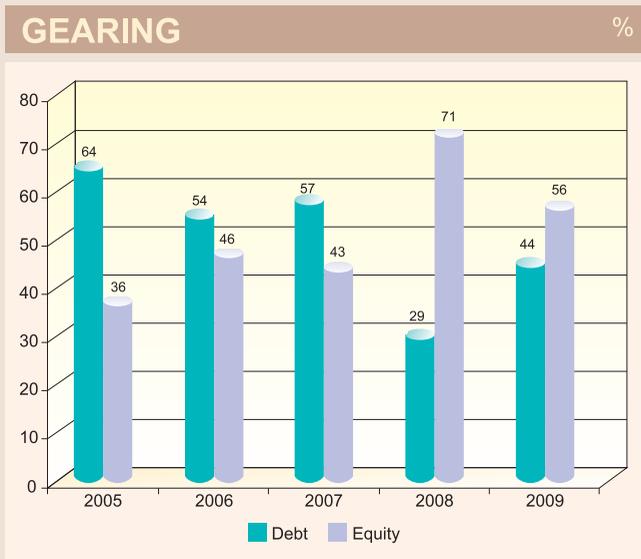
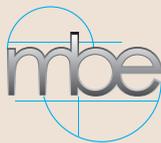
As mentioned hereunder the Products Division of the Company was transferred to its subsidiary McNally Sayaji Engineering Limited with retrospective effect from 1st April, 2008 and as such the figures for the year under review are not comparable with the figures of the previous year. The performance of your Company during the year 2008-09 does not include the activities of the said Products Division.

Your Company has an order backlog of more than Rs.3334 crores out of which McNally Sayaji Engineering Limited order backlog is Rs.290 crores. In spite of the depressed market condition, your Company expects a number of orders which are in the pipeline to be finalized before March 2010.

TOTAL INCOME

Rs. Crore





Your Board is happy to inform you that the Company has been awarded a BOP order, a new area of activity, for Rs.414 crores from IDEAL Power and have got reasonably good chance of procuring further orders.

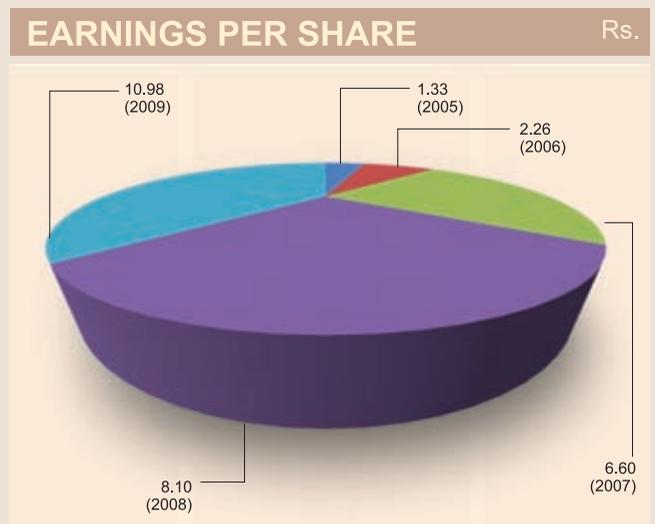
Considering the growth in the Power and other infrastructure segments, a business plan for 2015 has been prepared wherein MBE Group as a whole is expected to have a turnover of Rs. 5000 crores which includes Rs. 4000 crores from Project operations, Rs.1000 crores from McNally Sayaji Eng Ltd and from MBE Holding which includes the entire business of CMT.

The Research and Development Department of your Company which was started with two persons about two and a half years back has yielded tremendous results to the Company and therefore the R&D Department is being expanded and the existing MOUs with premier institutes are to be converted to

long term contracting arrangements to derive better and faster results.

With the completion of the process of acquisition of Humboldt Wedag, Germany a plan of action is being worked out for setting your Company's business activities globally with increased emphasis on exports of its products.

For the purpose of acquisition of the said Humboldt Wedag, Germany, your Company has since incorporated a 100% subsidiary in Singapore MBE Holdings Pte Limited. All the Coal and Mineral Technology (CMT) business of Humboldt Wedag is the subsidiary of the said MBE Holdings along with the main works and factory in Germany viz. MBE Cologne Engineering GmbH.



DIVIDEND

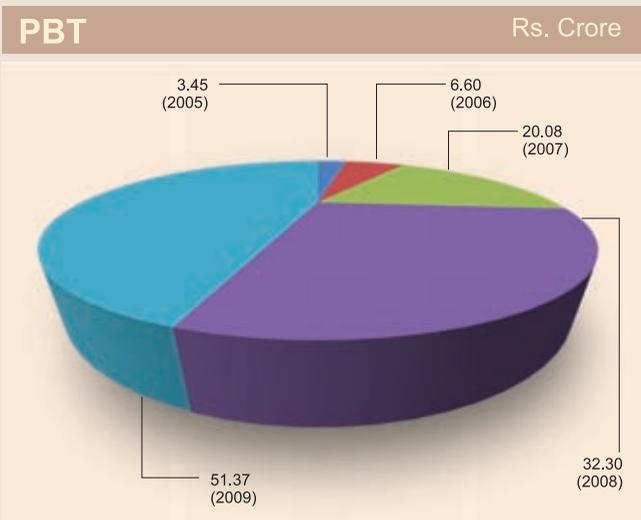
Your Directors recommend a dividend of Rs.1.25 per equity share of face value of Rs.10 each for the financial year ended 31st March, 2009 which if approved at the forthcoming Annual General Meeting will be paid to all eligible members whose names appear in the register of Members of the Company at the close of business on 23rd November, 2009.

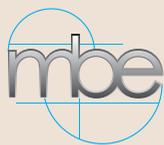
FIXED DEPOSITS

The Company has not accepted any Public Deposits during the year under review and there was no outstanding on account of Deposits from the Public as on 31st March, 2009.

CAPITAL STRUCTURE

During the year ended 31st March, 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\$ 3 million outstanding as on 31st March, 2008 was converted by the bondholders into 9,53,706 equity shares on 4th April, 2008.





GAP Plant Vedanta

The Company had issued 14,53,000 Convertible Warrants during the year ended 31st March, 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 31st March, 2008. Such warrants were converted to 14,53,000 equity shares on 4th April, 2008 on receipt of the full value of consideration.

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

SUBSIDIARIES

EWB Kornyezetvedelmi Kft. and EWB-MBE International Kornyezetvedelmi Kft. in Hungary continue in their development stage. Although the market demand of power-plant investments is on the wane in Hungary and the surrounding countries even so the environmental protection gets more and more significant part. The said subsidiaries have identified the following areas to emphasize:

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. Participation in the planning and delivering of equipments of the power-plant reconstruction in Kolubara Unit A5 (Serbia)

McNally Bharat Infrastructure Limited and McNally Bharat Equipments Limited, subsidiaries, are expected to play a key role of specializing in their respective areas of activities with

appropriate financial models and latest technology and collaborations, did not have any activity during the year ended 31st March, 2009.

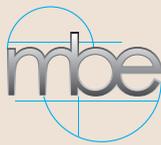
During the year under review, the Company has acquired 87.32% of the total shareholding of Sayaji Iron & Engineering Company Limited (Sayaji) as per the MOU dated 16th May, 2008 from the promoters of Sayaji and the Open Offer to the shareholders of Sayaji. With this acquisition Sayaji has become a subsidiary of the Company with effect from 15th September, 2008. The name of Sayaji has subsequently been changed to McNally Sayaji Engineering Limited vide fresh Certificate of Incorporation issued on 29th October, 2008 by the Government of India, Ministry of Corporate Affairs, Registrar of Companies, Gujarat.

As per the Scheme of Arrangement as sanctioned by the Hon'ble High Court at Calcutta vide its Order dated 28th July 2009 which was filed with the Registrar of Companies, West Bengal, Kolkata on 1st September 2009, for reconstruction of the company and its subsidiary viz McNally Sayaji Engineering Ltd (MSEL) whereby the Products Division of the company engaged in the business of manufacture and/or procuring equipments for various engineering and infrastructure projects and having its units at Kumardhubi, in the State of Jharkhand and Asansol, in the State of West Bengal and Bangalore, in the State of Karnataka has been transferred to MSEL with effect from the appointed date, i.e. 1st April, 2008.

Pursuant to the said Scheme of Arrangement, MSEL has allotted to the Company on 7th September, 2009, 34,55,529 equity shares of Rs.10/- each credited as fully paid up in the Company as consideration for transfer of the aforementioned Products Division.



Damanjodi Alumina Refinery project



The annual accounts and reports of the said subsidiaries along with statements pursuant to Section 212 of the Companies Act, 1956, forming a part of this annual report are enclosed.



Barge Unloader

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.

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. S K Pasari, Mr. S R Dasgupta and Mr Amritansu Khaitan 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.

RESEARCH AND DEVELOPMENT

The Research and Development wing of the Company has been transferred to MSEL as per the Scheme of Arrangement as detailed hereinabove. Your Company however will continue to derive benefit as detailed in the said scheme.

LISTING OF THE SHARES AT STOCK EXCHANGES

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

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 Act, 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.

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.

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

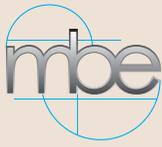
A detailed Management Discussion and Analysis Report is provided in the Annexure C to the Directors Report.

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



ASH SILO, Rihand



Ash Handling System

down by the Company and full implementation of these procedures is still in progress. A detailed report on the Corporate Governance is given in Annexure D to the Directors' Report.

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 2008-09 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



Stacker cum Reclaimer, 3000 TPH stacking and 1500 TPH reclaiming, MECON

Company and for preventing and detecting fraud and other irregularities; and

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



Santalidih coal handling plant 2

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. This has, understandably, been critical for the Company's success. The Directors look forward to their continued support and understanding in the years to come.

On behalf of the Board of Directors

Deepak Khaitan
Chairman

Kolkata, 7th September, 2009

ANNEXURE – A TO DIRECTORS’ REPORT

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

A. CONSERVATION OF ENERGY

1. ENERGY CONSERVATION MEASURES TAKEN

There were no major steps considered necessary for energy conservation. Routine steps like strict control and monitoring of usage, good preventive maintenance 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).

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

R&D programmes are carried out towards development of new products, improvement of the existing products and processes.

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

Increase in sales due to product improvements and introduction of new products, reduction in cost due to process improvements and cycle time reduction.

3. Future Plan of Action :

Future R&D efforts will continue along similar lines, as at present.

4. Expenditure on R & D :

Rs. Lakhs

	Year Ended 31.03.2009	Year Ended 31.03.2008
Capital	–	–
Recurring	25.34	10.19
Travelling Expenses	9.66	3.56
Others	1.04	0.89
Total	36.04	14.64

C. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

i) Technologies :

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

ii) Benefits derived as a result of the above efforts :

Improvements in products and processes : 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.

iii) Information regarding Technology imported during the last 5 years :

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

D. FOREIGN EXCHANGE EARNINGS & OUTGO

		Rs.'000
Foreign Exchange Earnings	Export on FOR Works basis	–
	Others	–
Foreign Exchange Outgo	Travelling	2,645
	CIF value of Component & Spare parts	112,163
	Capital Goods	97,821
	Professional & Consultancy Fees	118,314
	Others	273



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, 2009

Employee Name	Designation	Qualification	Age Date	Joining	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	52,79,800	P.T. Texmaco. – Sr. Manager Project Monitoring
Ghosh Prabir Kumar	Chief Financial Officer	B.Com (Hons) FCA	49	01.11.2001	26	58,69,100	IFB Agro Industries Ltd President
Nandi Arup Kanti	V.P & Business Head(Steel Plant Projects & Port & Stockyard Machinery)	AMIE (Chemical Engineer)	52	24.09.1987	28	35,15,280	Nirlon Synthetic Fibers Ltd – Technical Sales & Service Engineer
*Prasad Shanbhu	Sr. V.P. (Products Div.)	BSc , Engg. (Mechanical)	59	29.02.1984	37	29,44,400	Tega India Ltd Sr. Contract Engineer
Sarkar Arindam	V.P (SBU – E & C)	B.E. (Civil)	54	01.12.1998	32	36,96,880	Dykerhoff & Widdman AG, Germany Manager - Engineering
Sarkar Dipankar	V.P (SBU – Ash Handling)	M.E. (Mech) PGCGM (IIM, Cal)	52	25.08.2000	29	38,17,080	DC Industrial Plant Services Ltd. General Manager
Singh Srinivash	Managing Director	B.Com, ACS, AICWA, LLB	62	01.12.1968	43	1,56,84,056	MKW International Ltd. Executive
Bose Ashoke Kumar	Associate Vice President Steel	B. E. (Mech)	54	02.09.1996	33	25,39,200	GEC AISTHOM Indi Ltd. Manager (Pr)
Das Shyamal Kumar	Associate Vice President Material Handling	B. E. (Mech)	51	12.05.1998	29	25,91,520	PT Bukaka Teknik Utama, Indonesia Technical Advisor
Chatterjee D.	Company Secretary	M.Com, LLB FCA, AICWA ACS	55	06.12.199	30	25,91,600	Selvel Advertising Group General Manager
Roy Nilanjan	Vice President Projects	B.E. (Mach)	55	21.11.2005	32	27,30,400	Titagarh Wagon, L&T General Manager
*Dutta Debanjan	Vice President Corporate Services	B.E., M.B.A.	53	05.02.2009	32	4,68,198	WEBEL, Managing Director & C.E.O.
*Rao M.G.	Vice President Products	B.E. (Mech) M.E.	51	01.07.2008	30	21,46,500	GMM Pfadler Ltd. V.P.

Notes :

1. The Gross remuneration shown above is subject to tax and comprises of salary, allowances, monetary value of perquisites as per Income-tax rules and Company's contribution to provident fund, pension fund and superannuation fund.
2. In addition to the above remuneration, employees are entitled to gratuity etc. in accordance with the Company's rules.
3. All the employees have adequate experience to discharge the responsibilities assigned to them and none of the employees mentioned above is a relative of any Director of the Company.
4. The nature of employment in all cases is contractual.
5. Asterisk against a name indicates that the employee was in service only for a part of the year.

ANNEXURE – C TO DIRECTORS’ REPORT MANAGEMENT DISCUSSION & ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENT

Your Company has achieved a total income of Rs. 997 crs approx. registering a growth of about 81% over the previous year’s total income of Rs. 550 crs. Profit before tax increased from Rs.32 crs to Rs.51 crs and Profit after tax also increased from Rs.22 crs to Rs.34 crs. The earning per share increased to Rs.10.98 per share from Rs. 8.10 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 built additional capacity and State owned SAIL is already carrying out major brownfield expansion in all its existing steel plants across the country. Power sector in India is expected to put up 55000 MW additional generating capacity over next five years. For the roads and bridges sector, the Eleventh Five Year Plan envisages a total investment of approximately US\$ 78.50 billion over the five year period starting from 2007-08. Your Company 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 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 and other inputs 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 increasing 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. Your Company has also added adequate skilled, qualified and experienced 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 self-assessment tools to assist in evaluating the effectiveness of internal control framework and financial reporting systems 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. Earnst & Young has designed 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 from Rs 550 Crs to Rs. 997 Crs, the Profit Before Tax has gone up from Rs 32 crs to



Rs. 51 Crs and earnings per share has gone up by from Rs. 8.10 per share to Rs.10.98 per share. Based on the business scenario within the country and Company's expanded capability, the Company has set a higher benchmark of performance for the year to come. The Board expects this growth trend, both in terms of profitability and sales, to be maintained in the coming years.

Considering the growth in the Power and other infrastructure segments, a business plan for 2015 is under final stage of preparation wherein MBE Group as a whole is expected to have a turnover of Rs. 7000 Crores which includes Rs. 5000 Crores from Project operations, 1000 Crores from Products operations and about 1000 Crores from MBE Holding which includes the entire business of CMT and other new business activity.

R & D Department which was started with two persons about two and a half years back has yielded tremendous results to the Company and therefore the R& D Department shall be expanded to have at least five people inhouse and the existing MOUs signed with the Research Institutes to be converted to long term contracting arrangements to derive better and faster results.

With the completion of the acquisition process of Humboldt Wedag CMT division, a plan of action is stated for setting our business activities globally so as to explore the possibilities of exporting MSEL products.

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 31.03.2009 is 997 as against 885 in 31.3.2008. During the year, the Company successfully implemented in-house training of fresh engineering graduates towards developing them as 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 factory 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, 2009 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:

Name of the Directors	Category of Directors	No. of other Directorships held #		No. of other Board Committee(s) of which he/she		No. of Shares held in the Company as at 31.03.2009
		Public	Private	is a member	is a Chairperson	
Mr. D. Khaitan – Chairman	Promoter - Non Executive	7	–	2	–	–
Mr. S.P. Singhi – Vice Chairman	Promoter - Non Executive	6	3	–	–	–
Mr. V.K. Verma	Independent - Non Executive	–	–	–	–	700
Mr. U. Parekh	Independent - Non Executive	6	–	2	–	100
Mr. C.K. Pasari	Independent - Non Executive	6	4	–	–	10,500
Mr. S.K. Pasari	Promoter - Non Executive	2	10	–	–	–
Mr. A. Khaitan	Promoter - Non Executive	4	3	–	–	–
Mr. S.R. Dasgupta	Independent - Non Executive	2	–	–	–	–
Mr. S. Singh	Executive - Managing Director	3	–	–	–	2,900

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

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

No convertible instruments are held by non-executive directors.



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

Name of the Directors	Sitting fees paid during the year
	Rupees
Mr. Deepak Khaitan	40,000
Mr. S. P. Singhi	135,000
Mr. V. K. Verma	70,000
Mr. U. Parekh	55,000
Mr. C.K. Pasari	195,000
Mr. S.K. Pasari	15,000
Mr. A. Khaitan	40,000
Mr. S.R. Dasgupta	30,000
TOTAL	5,80,000

Details of remuneration paid/payable to the Managing Director :

	Rupees	Rupees
Mr. S. Singh (Managing Director)		
Salary		10,680,000
Performance Bonus		1,850,000
Contributions to Provident Fund	864,000	
Superannuation Fund	1,080,000	1,944,000
Perquisites		134,173
Total remuneration		14,608,173

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 Equity Shares of Rs.10/- each on conversion of Warrants.
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, 7 Board Meetings were held on 16 May 2008, 14 June, 2008, 28 July, 2008, 15 September, 2008, 31 October, 2008, 10 November, 2008 and 30 January 2009.

- (iii) The attendance recorded for each of the Directors at the Board Meetings during the year ended on 31 March 2009 and of the last Annual General Meeting is as under :

Directors	Number of Board Meetings attended	Attendance at the Last AGM
Mr. D. Khaitan	6	No
Mr. S.P. Singhi	4	Yes
Mr. V.K. Verma	5	Yes
Mr. U. Parekh	5	No
Mr. C.K. Pasari	7	Yes
Mr. S.K. Pasari	3	No
Mr. A. Khaitan	5	No
Mr. S.R. Dasgupta	6	No
Mr. S. Singh	6	Yes

(d) Code of conduct :

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

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

Mr. A. Khaitan

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

The Audit Committee Meetings were held on 14 June, 2008, 28 July, 2008, 31 October, 2008 and 30 January 2009. The attendance of each Audit Committee member is as under:-

Name of the Audit Committee Member	Number of meetings attended
Mr. V.K. Verma	4
Mr. U. Parekh	3
Mr. C.K. Pasari	4
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. V. K. Verma, Chairman
- Mr. U. Parekh
- Mr. C.K. Pasari
- Mr. S.P. Singhi

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 09 July, 2008 and 31 October, 2008. The attendance of the members of the Remuneration Committee was as follows:

Name of Remuneration Committee Member	Number of meetings attended
Mr. V.K. Verma	2
Mr. U. Parekh	2
Mr. C.K. Pasari	2
Mr. S.P. Singhi	1

V Remuneration Policy

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

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

The objectives of the remuneration policy are to motivate employees to excel in their performance, recognize their contribution, 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
- Mr. U. Parekh
- Mr. V.K. Verma
- Mr. C.K. Pasari

The Shareholders / Investors' Grievance Committee of the Company met twice during the year on 9 July, 2008 and 30 January, 2009.

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 2008-09.

Nature of complaints	Pending as on 1st April 2008	Received during the year	Replied/ resolved during the year	Pending as on 31st March 2009
Non receipt of Dividend Warrants	0	16	16	0
Non receipt of Share Certificates	0	1	1	0
	0	17	17	0

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

The Company confirms that there were no share transfers lying pending as on 31st March, 2009, 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, 22 Committee of Directors Meetings were held on 15th April 2008, 30th April 2008, 15th May 2008, 31st May 2008, 30th June 2008, 15th July 2008, 31st July 2008, 14th August 2008, 30th August 2008, 9th September 2008, 30th September 2008, 15th October 2008, 31st October 2008, 29th November 2008, 13th December 2008, 31st December 2008, 15th January 2009, 30th January 2009, 16th February 2009, 27th February 2009, 16th March 2009 & 31st March 2009.

The attendance recorded for each of the Directors at the Committee of Directors' Meetings during the year ended on 31 March 2009 is as under:

Directors	Number of Committee of Directors' Meetings attended
Mr. S P Singhi	18
Mr. C K Pasari	22
Mr. S Singh	22

b) Allotment Committee

During the year, 2 Allotment Committee Meetings were held on 4th April, 2008 and 3rd June 2008.

The attendance recorded for each of the Directors at the Allotment Committee Meetings during the year ended on 31 March 2009 is as under:

Directors	Number of Allotment Committee Meetings attended
Mr. D Khaitan	2
Mr. S P Singhi	2
Mr. C K Pasari	2
Mr. S Singh	2

VIII Disclosures

- 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.
- 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.
- All Accounting Standards mandatorily required have been followed in preparation of financial statements and no deviation has been made in following the same.
- 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.
- The Company has allotted a total of 9,53,706 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.
- The Company has allotted 14,53,000 Equity Shares of Rs 10/- each at a premium of Rs. 134.29 per share on 04.04.2008 on conversion of Warrants to Promoters and Key Management persons. The funds have been utilized for the purpose it was issued.
- 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.
- 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.



IX Compliance 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 were no audit qualifications 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.

X Compliance Certificate

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

IX 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
43rd	Wednesday	20.09.2006	11.30 a.m.	Rotary Sadan 94/2, Chowringhee Road Kolkata 700020
44th	Wednesday	10.09.2007	11.00 a.m.	- do -
45th	Monday	15.09.2008	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
20.09.06	Contribution to Rajiv Gandhi Foundation for charitable purposes
10.09.07	Re-appointment of Managing Director

(c) During the year ended March 31, 2009, no special resolutions were put through postal ballot.

XII 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 www.mcnallybharat.com
- (iii) Whether it also displays official news releases and presentations made to institutional investors/ analysts General information on the Company, official news releases and presentations to analysts and institutional investors are also posted on the Company's website.

XIII General Shareholder Information

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

	Seeking reappointment	Seeking reappointment	Seeking reappointment
Name of Director	Mr. A. Khaitan	Mr. S.R. Dasgupta	Mr. S.K. Pasari
Date of appointment	31st October, 2006	21st June, 2007	5th April, 2006
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	Nil	Nil

(b) Annual General meeting to be held :

Day, Date, time and venue :

Day : Monday
 Date : 23rd November, 2009
 Time : 11 a.m.
 Venue : Rotary Sadan, 94/2 Chowringhee Road, Kolkata - 700020

(c) Financial Year : 2009-2010
 First Quarterly Results : Before end of July 2009
 Second Quarterly Results : Before end of October 2009
 Third Quarterly Results : Before end of January 2010
 Audited Yearly Results for the Year ended 31 March, 2010 : Before end of June 2010

(d) Period of Book Closure : September 16, 2009 to September 23, 2009

(e) Dividend payment date :

Dividend on Equity Shares when sanctioned will be made payable on or before December 21, 2009 to those Shareholders in physical form whose names stand on the Company's Register of Members on September 23, 2009, 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 2008-2009.

Stock Codes :

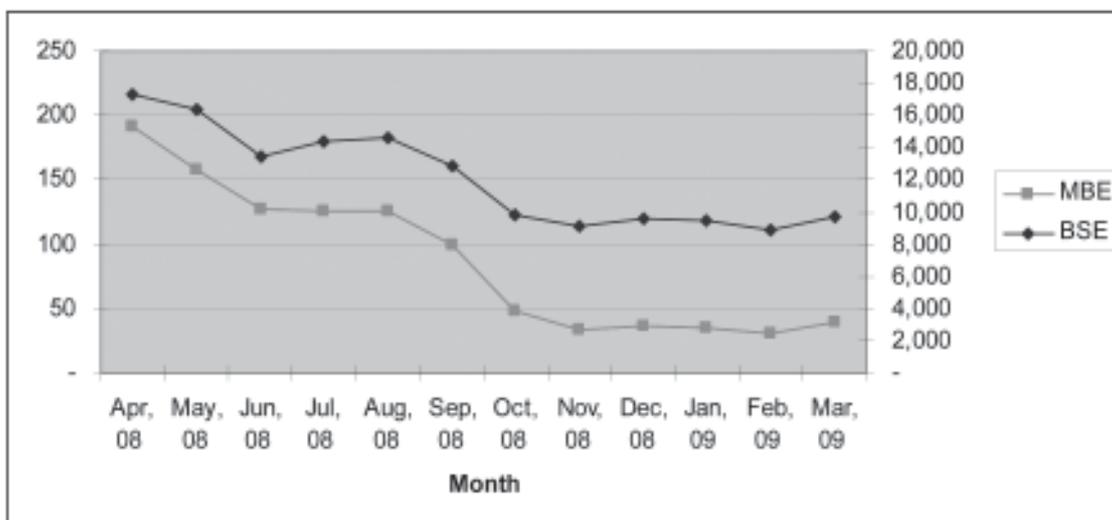
Bombay Stock Exchange	532629
National Stock Exchange	MBECL
Reuters Code	MCNL.BO
Bloomberg Code	MCNA:IN
International Securities Identification Number (ISIN) for the Company's shares in dematerialized form	INE 748A01016

(g) Market Price Data :

The details of monthly highest and lowest closing quotations of the equity shares and volume of equity shares traded of the Company at the Bombay Stock Exchange and National Stock Exchange during financial year 2008-2009 are as under :

Month	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	High (Rs.)	Low (Rs.)	Volume (Nos.)	High (Rs.)	Low (Rs.)	Volume (Nos.)
April, 2008	195.00	162.00	187,745	194.85	160.20	288649
May, 2008	191.50	156.15	432,978	195.00	157.00	780497
June, 2008	162.50	125.00	548,389	166.50	127.00	539492
July, 2008	141.00	106.00	616,004	138.40	103.70	218859
August, 2008	144.00	115.00	143,424	143.00	115.20	100171
September, 2008	128.85	82.05	692,552	129.85	86.00	274112
October, 2008	101.00	38.00	192,302	108.75	38.00	116077
November, 2008	58.40	31.05	298,770	59.50	28.50	216532
December, 2008	44.65	30.40	1,251,201	44.25	31.65	470191
January, 2009	43.05	30.50	469,358	43.00	30.50	182154
February, 2009	37.35	29.30	258,924	37.40	30.45	152583
March, 2009	44.95	28.80	958,570	40.75	29.00	1517086

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, 2009 :

No of Shares	No. of holders	% of total holders	No. of shares	% of total shares
1to 500	10516	87.1468	1455767	4.6819
501 to 1000	789	6.5385	663333	2.1333
1001 to 2000	341	2.8259	528214	1.6988
2001 to 3000	117	0.9696	305663	0.9830
3001 to 4000	51	0.4226	186241	0.5990
4001 to 5000	61	0.5055	292261	0.9399
5001 to10000	76	0.6298	587231	1.8886
10001 and above	116	0.9613	27075108	87.0755
Total	12067	100.0000	31093818	100.0000

(k) Pattern of Shareholding as on 31st March, 2009 :

Category	No. of Holders	No. of Shares
1 Resident Indian	11293	15521905
2 Domestic Companies	539	2809219
3 NRI	197	1408273
4 Foreign Companies	0	0
5 Mutual Fund	17	3745106
6 Financial Institutions	0	0
7 Bank (Non-nationalised)	2	140
8 Directors & Relatives	4	14200
9 FII	9	6207806
10 Insurance	6	1387169
Total	12067	31093818

(l) Dematerialization of Shares :

As on 31st March, 2009, 29150554 Shares of the Company's total shares representing 93.75% shares were held in dematerialized form and the balance 6.25% representing 1943264 shares were in paper form.

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

There are no other outstanding GDRs/ ADRs/ warrants or any convertible instruments.

(n) Factory Location :

The Company's factories located at Kumardhubi in Jharkhand. Bangalore in Karnataka and Asansol in West Bengal have been transferred to McNally Sayaji Engineering Limited, a subsidiary, as per the Scheme of Arrangement as approved by Hon'ble High Court, Kolkata.

(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
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

XIV 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, 2009.

Kolkata, 7th September, 2009

For McNally Bharat Engineering Company Limited
Srinivash Singh
Managing Director

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 2009, as stipulated in Clause 49 of the Listing Agreements of the said Company with Stock Exchanges in India.

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

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

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

Kolkata, 7th September, 2009

Partha Mitra
Partner
Membership Number : 50553

For and on behalf of
Lovelock & Lewes
Chartered Accountants

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2009, the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto, all of 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 provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries whose financial statements reflect total assets of Rs.1,944,679 (000) as at 31st March, 2009, total revenues of Rs.2,147,157 (000) and net cash inflows of Rs.15,325 (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. On the basis of the information and explanations 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, 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, 2009;
 - 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, 7th September, 2009

Partha Mitra
Partner
Membership Number : 50553
For and on behalf of
Lovelock & Lewes
Chartered Accountants



CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2009

	Schedule No.	As at 31st March 2009 (Rs.'000)	As at 31st March 2008 (Rs.'000)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Capital	1	310,938	286,871
b) Reserves and Surplus	2	1,766,369	1,085,277
2. Share Warrant Application Money (Refer Note 13 on Schedule 22)			
		–	209,653
3. Minority Interest			
		123,367	55
4. Loan Funds			
a) Secured Loans	3	2,130,320	506,499
b) Unsecured Loans	4	4,703	122,049
5. Deferred Tax Liability			
	14	142,378	11,383
Total		4,478,075	2,221,787
II. APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block		2,589,661	990,912
b) Less: Depreciation and Amortisation		334,229	366,368
c) Net Block	5	2,255,432	624,544
2. Capital Work In Progress			
		113,498	185,799
3. Investments			
	6	15,419	139,682
4. Current Assets, Loans and Advances			
a) Inventories	7	772,861	266,910
b) Sundry Debtors	8	6,935,093	3,734,535
c) Cash and Bank Balances	9	418,041	706,272
d) Other Current Assets	10	310	–
e) Loans and Advances	11	1,138,852	1,003,581
		9,265,157	5,711,298
Less : Current Liabilities and Provisions			
a) Liabilities	12	7,032,766	4,366,794
b) Provisions	13	138,847	72,742
		7,171,613	4,439,536
Net Current Assets		2,093,544	1,271,762
5. Miscellaneous expenditure (to the extent not written off or adjusted)			
a) Preliminary Expenses		111	–
b) Preoperative Expenses		71	–
		182	–
Total		4,478,075	2,221,787
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.

Partha Mitra
Partner
Membership No. 50553
For and on behalf of
Lovelock & Lewes
Chartered Accountants
Kolkata, 7th September, 2009

Deepak Khaitan - Chairman
Srinivash Singh - Managing Director
Prabir Ghosh - Chief Financial Officer
D. Chatterjee - Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

	Schedule No.	For the year ended 31st March 2009 (Rs.'000)	For the year ended 31st March 2008 (Rs.'000)
INCOME			
Sale of Equipments and contract revenue		11,300,910	5,651,856
Less : Excise Duty		<u>229,424</u>	<u>127,855</u>
		11,071,486	5,524,001
Profit on transfer of the Products Division of the Company as per scheme of arrangement (Refer Note 2 on Schedule 22)		230,719	-
Energy Income - Wind Mill		13,127	-
Sale of scrap		17,104	10,295
Sale of Trading Goods		11,015	-
Works Contract		10,800	-
Agency Commission		25,621	11,842
Other Income	15	17,136	9,302
Total		<u>11,397,008</u>	<u>5,555,440</u>
EXPENDITURE			
Materials	16	6,745,641	3,027,540
(Increase) / Decrease in Stock	17	(200,695)	27,279
Outsourcing Expenses to outsiders for job work		1,797,826	954,616
Expenses	18	1,752,243	1,120,775
Advance/ Debts written off/ Provision/ Liabilities written back (net)	19	25,079	(11,410)
Depreciation and Amortisation	20	95,010	23,080
Interest and Finance charges (Net)	21	362,108	89,022
Total		<u>10,577,212</u>	<u>5,230,902</u>
PROFIT BEFORE TAXATION		819,796	324,538
TAXATION FOR THE YEAR			
Current Tax		180,807	86,467
Deferred Tax		99,700	7,945
Fringe Benefit Tax		7,457	5,513
		287,964	99,925
PROFIT AFTER TAXATION		531,832	224,613
Less : Proportionate share of pre acquisition profit adjusted with Goodwill		41,892	-
Less : Minority interest		54,470	19
		435,470	224,594
Brought forward from previous year		438,062	250,598
		<u>873,532</u>	<u>475,192</u>
APPROPRIATIONS			
Proposed Dividend		38,867	31,094
Dividend for last year		-	636
Dividend Tax for last year		-	116
Dividend Tax		8,349	5,284
Transfer to General Reserve		18,000	-
Balance carried forward		808,316	438,062
		<u>873,532</u>	<u>475,192</u>
Notes on Accounts			
Earnings per Share (Refer Note 16 on Schedule 22)	22		
Basic		14.01	8.12
Diluted		14.01	7.54

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.

Partha Mitra

Partner

Membership No. 50553

For and on behalf of

Lovelock & Lewes

Chartered Accountants

Kolkata, 7th September, 2009

Deepak Khaitan

- Chairman

Srinivash Singh

- Managing Director

Prabir Ghosh

- Chief Financial Officer

D. Chatterjee

- Company Secretary



SCHEDULES

	As at 31st March 2009 (Rs.'000)	As at 31st March 2008 (Rs.'000)
1. Capital		
Authorised		
4,00,00,000 Equity Shares of Rs. 10/- each	<u>400,000</u>	<u>400,000</u>
Issued and Subscribed		
3,10,93,818 (2007-08- 2,86,87,112) Equity Shares of Rs. 10/- each fully paid up (Refer Note 12 and Note 13 on Schedule 22)	310,938	286,871
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		
Total	<u>310,938</u>	<u>286,871</u>
2. Reserves and Surplus		
Capital Redemption Reserve	100	100
Securities Premium Account		
Balance as per last account	524,064	270,549
Add : Addition during the year [net of Issue Expenses relating to Foreign Currency Convertible Bonds (FCCB) after adjustment of tax effect amounting to Rs. Nil (2007-08 Rs.1,70,957)] (Refer Note 12 and Note 13 on Schedule 22)	321,966	253,515
Balance as at 31st March, 2009	<u>846,030</u>	<u>524,064</u>
Revaluation Reserve as per last account	52,004	76,121
Add : Acquired on acquisition of Subsidiary	22,337	-
Less : Transferred to Profit and Loss Account	-	24,117
Less : Amount withdrawn on assets transferred	52,004	-
Balance as at 31st March, 2009	<u>22,337</u>	<u>52,004</u>
Foreign Currency Translation Reserve	1,121	582
General Reserve		
Balance as per last account	70,465	77,256
Add : Transferred from Profit and Loss Account	18,000	-
Less : Amount adjusted in view of transitional provision in compliance with AS 15 (Revised)	-	6,791
Balance as at 31st March, 2009	<u>88,465</u>	<u>70,465</u>
Profit and Loss Account		
Balance as per last account	438,062	250,598
Add : Profit for the year	370,254	187,464
Balance as at 31st March, 2009	<u>808,316</u>	<u>438,062</u>
Total	<u>1,766,369</u>	<u>1,085,277</u>

SCHEDULES

	As at 31st March 2009 (Rs.'000)	As at 31st March 2008 (Rs.'000)
3. Secured Loans		
From Banks :		
Overdraft including Working Capital Demand Loans (including interest accrued and due Rs.4,30,950; 2007-08 - Rs.Nil)	1,121,241	467,915
(i) Rs. 1,054,502,168 Secured on a pari passu basis by the current assets of the holding company and Products Division of McNally Sayaji Engineering Limited ("MSEL") and immoveable and moveable assets located at the manufacturing Unit 1 of the Factory Premises of the Kumardhubi unit of MSEL.		
(ii) Rs.66,738,703 secured by hypothecation of all present and future goods, book debts, movable assets, mortgage of immovable properties of MSEL located at Chhani Road, Vadodara.		
Term Loans	991,052	16,670
(i) Rs.550,000,000 Secured by first charge over the immoveable and movable assets at the Asansol and Bangalore units of MSEL and the equipments to be procured under the facility.		
(ii) Rs. 383,200,000 secured by first pari passu charge on all movable and immovable fixed assets of the holding company and Products Division of MSEL (excluding Kumardhubi plant) both present and future including the equipments to be purchased under the said facility.		
(iii) Rs.57,852,000 secured by equitable mortgage of factory land and proposed construction of industrial land property of MSEL at Asansol.		
Car Loans	2,299	3,483
Secured by hypothecation of motor vehicles acquired out of these loans.		
From Others :		
Equipment Finance Loan	15,728	18,431
Secured by hypothecation of the tangible movable assets acquired out of these loans.		
Total	2,130,320	506,499
4. Unsecured Loans		
Short Term Loan :		
From banks (overdraft)	1,304	-
From others	2,498	2,139
Other Loans :		
From others :		
Car loan	901	-
4.5% Foreign Currency Convertible Bond (Refer Note 12 on Schedule 22)	-	119,910
Total	4,703	122,049

SCHEDULES
5. Fixed Assets

Rs. '000

Particulars	GROSS BLOCK AT COST / VALUATION						DEPRECIATION / AMORTISATION						NET BLOCK	
	As at 1st April, 2008	Addition on acquisition of subsidiary	Additions/ Adjust-ment	Sale/ Adjustment	As at 31st March, 2009	As at 1st April, 2008	Addition on acquisition of subsidiary	For the year/ adjust-ments	On sales/ Adjust-ment	As at 31st March, 2009	As at 31st March, 2009	As at 31st March, 2008	As at 31st March, 2008	
TANGIBLE ASSETS														
Free Hold Land **	71,982	30,997	25,615	15,428	113,166	-	-	-	-	-	113,166	71,982		
Lease Hold Land *	73,437	-	98,626	73,437	98,626	1,032	-	880	1,032	880	97,746	72,405		
Building **	243,979	68,742	358,642	237,776	433,587	104,482	43,242	4,388	104,370	47,742	385,845	139,497		
Plant & Machinery	418,676	220,728	617,325	233,250	1,023,479	169,836	111,052	45,388	125,593	200,683	822,796	248,840		
Furniture & Fixture	18,100	9,906	14,126	5,718	36,414	8,600	4,306	1,524	3,594	10,836	25,578	9,500		
Refrigerators & Air Conditioners	9,431	-	3,755	3,261	9,925	2,699	-	435	1,882	1,252	8,673	6,732		
Office Equipments	6,896	19,523	2,116	1,834	26,701	3,481	14,280	1,573	871	18,463	8,238	3,415		
Vehicles	9,259	12,884	4,190	13,705	12,628	2,958	3,362	1,359	4,006	3,673	8,955	6,301		
Telephone Plant	1,578	-	921	790	1,709	692	-	69	408	353	1,356	886		
Cooking Appliances	94	-	89	94	89	87	-	1	87	1	88	7		
INTANGIBLE ASSETS														
Goodwill	3,609	-	576,226	-	579,835	-	-	-	-	-	579,835	3,609		
Technology for:														
Pump	75,290	-	1,977	75,290	1,977	37,645	-	1,977	37,645	1,977	-	37,645		
Mineral Processing Equipment	26,297	-	-	26,297	-	13,150	-	-	13,150	-	-	13,147		
Vibrating Screens	8,572	-	-	8,572	-	7,448	-	-	7,448	-	-	1,124		
Granulators etc.	4,289	-	-	4,289	-	3,438	-	-	3,438	-	-	851		
Design and Drawings	-	-	225,000	-	225,000	-	-	32,218	-	32,218	192,782	-		
Computer Software	19,423	678	6,523	99	26,525	10,820	143	5,198	10	16,151	10,374	8,603		
T O T A L	990,912	363,458	1,935,131	699,840	2,589,661	366,368	176,385	95,010	303,534	334,229	2,255,432	624,544		
Previous Year	785,752	-	216,295	11,135	990,912	328,523	-	47,197	9,352	366,368	624,544	-		

Notes : * Gross Block of Leasehold Land of Bangalore unit of MSEL includes land allotted by Karnataka 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.

** Includes Land of Rs. 565,54,138 and Building of Rs. 62,02,269 acquired by the holding company at a consolidated price apportioned on the basis of municipal valuation.

SCHEDULES

	As at 31st March 2009 (Rs.'000)	As at 31st March 2008 (Rs.'000)
6. Investments -Unquoted unless otherwise stated		
Current - Other than trade		
Investment in Nil Units (2007-08 1,22,491.443 Units) of Standard Chartered Liquidity Manager-Plus-Fund- Short Term Plan - Growth	-	138,975
Investment in 7390.757 Units of IDFC Liquid Fund - Growth	8,878	-
50000 Units of Rs. 10/- each SBI Magnum comma Fund	500	-
50050 Units of Rs. 10/- each SBI Magnum Multicap Fund	500	-
30000 Units of Rs. 10/- each SBI Blue chip Fund	300	-
45546 Units of Rs. 10/- each SBI Magnum Globle Fund	2,000	-
17405 Units of Rs. 10/- each SBI contra Fund	600	-
26676 Units of Rs. 10/- each Tata Infrastructure Fund	584	-
50000 Units of Rs. 10/- each HDFC Long term Equity Fund	500	-
20000 Units of Rs. 10/- each Relience Equity Fund	200	-
10645 Units of Rs. 10/- each DSPML Tigre Fund	300	-
19866 Units of Rs.10/- each Templeton Equity fund	200	-
30000 Units of Rs. 10/- each Sbi One India Fund	300	-
20000 Units of Rs. 10/- each SBI Infrastructure Fund.	200	-
1000 Equity Shares of Rs. 10/- each Bharti Airtel Ltd (Quoted)	409	-
400 Equity Shares of Rs. 10/- each - Reliance Industires Ltd (Quoted)	369	-
Long Term (at cost)		
A. TRADE INVESTMENTS		
24,970 Equity shares of Rs.10 each fully paid in Jayamkondam Lignite Power Corporation Limited	250	250
B. OTHER THAN TRADE		
100 shares of Rs10 each fully paid-up in McNally Bharat Co-operative Credit Society Limited	1	1
100 Equity shares of Rs. 25/- each Co-Op Bank of Baroda Ltd	3	-
4516 Equity share of Rs. 25/- each Baroda district Co-Op Bank	113	-
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
	16,663	139,682
Less : Provision for Diminution in Investment value	1,244	-
Total	15,419	139,682
Aggregate Book Value of Unquoted Investments	15,429	139,226
Aggregate Book Value of Quoted Investments	1,234	456
Aggregate Market Value of Quoted Investments	2,137	1,149
7. Inventories		
Stores and Spare Parts (including In-Transit Rs.74,30,044; 2007-08 - Rs.84,12,637;)	133,019	30,260
Loose Tools	10,028	7,345
Raw Materials (including In-Transit Rs.131,92,580 ; 2007-08 - Rs.6,97,12,160)	225,869	123,756
Jobs-in-Progress	379,677	105,549
Finished Goods	24,268	-
Total	772,861	266,910



SCHEDULES

	As at 31st March 2009 (Rs.'000)	As at 31st March 2008 (Rs.'000)
8. Sundry Debtors		
Unsecured		
Debts outstanding for a period exceeding six months*		
– Considered good	1,772,925	1,493,124
– Considered doubtful	4,563	1,807
	<u>1,777,488</u>	<u>1,494,931</u>
Less : Provision	4,563	1,807
	<u>1,772,925</u>	<u>1,493,124</u>
Other Debts - Considered good #	5,162,168	2,241,411
* Including Retention money not due Rs. 1,21,88,81,401 (2007-08 Rs.1,05,09,70,286)		
# Including due from customers Rs.24,77,41,000 (net) (2007-08 including due from customers Rs.48,72,15,808) not yet billed as per terms of contract (Refer Note 8 on Schedule 22)		
Total	<u>6,935,093</u>	<u>3,734,535</u>
9. Cash and Bank Balances		
Cash and Cheques in hand	57,058	28,345
Remittance in transit	13,045	4,550
With Scheduled Banks		
On Current Account *	300,760	645,217
On Deposit Account #	47,178	28,160
Total	<u>418,041</u>	<u>706,272</u>
* Includes Rs.11,05,37,322 (2007-08 Rs.26,50,70,609) in Escrow Account		
# Includes Rs.15,00,000 (2007-08 Rs.69,82,492) pledged with Banks		
10. Other Current Assets		
Interest receivable	310	–
Total	<u>310</u>	<u>–</u>
11. Loan and Advances - Unsecured considered Good		
Advances recoverable in cash or in kind or for value to be received	884,101	820,297
Less : Provision for Doubtful Advances	1,411	–
	<u>882,690</u>	<u>820,297</u>
Deposits with Government, Public bodies and Others	151,249	146,861
Balance with Central Excise	104,913	19,693
Advance payment of tax (net of Provision for Tax)	–	16,730
Total	<u>1,138,852</u>	<u>1,003,581</u>

SCHEDULES

	As at 31st March 2009 (Rs.'000)	As at 31st March 2008 (Rs.'000)
12. Current Liabilities		
Acceptances	451,380	303,482
Sundry Creditors		
Total outstanding dues of Micro and Small enterprises	7,622	821
Total outstanding dues of creditors other than micro and small enterprises	3,501,006	1,692,135
Advance Payment from customers	2,726,215	2,218,799
Other Liabilities	322,525	151,391
Interest accrued but not due on loan	24,018	166
Total	<u>7,032,766</u>	<u>4,366,794</u>
There are no amounts due and outstanding to be credited to Investor Education and Protection Fund		
13. Provisions		
Proposed Dividend	38,867	31,094
Dividend Tax	8,481	5,400
Provision for Employee Benefits	61,086	36,248
Provision for Taxation (Net of Advance Tax)	30,413	-
Total	<u>138,847</u>	<u>72,742</u>
14. Deferred Tax		
Liabilities :		
Depreciation	155,005	17,588
Assets :		
Sec 43B items	(12,047)	(5,591)
Other items	(580)	(614)
Total	<u>142,378</u>	<u>11,383</u>



SCHEDULES

	For the year ended 31st March, 2009 (Rs.'000)	For the year ended 31st March, 2008 (Rs.'000)
15. Other Income		
Service Income	9,745	3,600
Insurance Claim Received	486	–
Income from Investment	761	11
Profit on Sale of Current Investment (Net)	5,827	2,504
Miscellaneous Income	317	3,187
Total	17,136	9,302
16. Materials		
Balance as at 1st April 2008	123,756	31,651
Add : Acquired on acquisition of subsidiary	6,237	–
Add : Purchases	2,563,233	1,109,699
	2,693,226	1,141,350
Less: Balance as at 31st March 2009	225,869	123,756
Consumption of Raw Materials	2,467,357	1,017,594
Consumption of bought out Components and Spare Parts	4,274,904	1,983,842
Purchase of Traded Goods	3,380	26,104
Total	6,745,641	3,027,540
17. (Increase) / Decrease in Stock		
Balance as at 1st April 2008		
Jobs-in-Progress	105,549	132,828
– Acquired on acquisition of subsidiary	84,927	–
Finished Goods	–	–
– Acquired on acquisition of subsidiary	12,774	–
	203,250	132,828
Less :		
Balance as at 31st March 2009	–	–
Jobs-in-Progress	379,677	105,549
Finished Goods	24,268	–
	403,945	105,549
Total	(200,695)	27,279

SCHEDULES

	For the year ended 31st March, 2009 (Rs.'000)	For the year ended 31st March, 2008 (Rs.'000)
18. Expenses		
Salaries, wages and bonus	589,435	325,407
Contribution to provident and other funds	42,397	23,545
Workmen and staff welfare expenses	35,310	18,360
Professional Services	108,615	55,622
Consumption of Stores and Spare Parts	12,956	12,715
Power and Fuel	34,672	22,856
Repairs to Building	4,681	3,970
Repairs to Machinery	12,981	8,149
Repairs - others	61,281	31,486
Rent	34,232	19,082
Subscriptions and donations	3,763	2,755
Bank charges	172,487	105,892
Rates and taxes	89,570	24,470
Insurance	20,936	18,834
Cartage and freight	249,627	238,046
Directors' fees	580	590
Travelling	145,974	98,353
Running and maintenance of vehicles	4,640	3,874
Royalty	10,709	8,380
Fixed Assets written off	-	1,261
Loss on Exchange Fluctuations (Net)	20,069	29,867
Commission Expenses	4,875	1,382
Provision for Bad and Doubtful Debts	2,756	934
Provision for Doubtful Advances	1,411	-
Loss on sale of Fixed Assets (Net)	4,610	140
Loss on Diminution in Investment Value	1,244	-
Miscellaneous	89,813	68,987
	<u>1,759,624</u>	<u>1,124,957</u>
Less: Transferred to Fixed Asset/ Capital Work in Progress	7,381	4,182
Total	<u>1,752,243</u>	<u>1,120,775</u>
19. Advance/ Debts written off/ Provision/ Liabilities written back (net)		
Debts written off	9,987	1,362
Advances written off	18,882	-
	<u>28,869</u>	<u>1,362</u>
Less :		
Debts/ Advances realised	-	1,596
Liabilities no longer required written back	3,790	11,176
Total	<u>25,079</u>	<u>(11,410)</u>



SCHEDULES

	For the year ended 31st March, 2009 (Rs.'000)	For the year ended 31st March, 2008 (Rs.'000)
20. Depreciation & Amortisation		
Total Charge	95,010	47,197
Less : Transferred from Revaluation Reserve	–	24,117
Total	95,010	23,080
21. Interest and Finance charges		
Interest		
On Fixed Loans	80,292	16,363
On Others	251,109	70,195
	331,401	86,558
Less : Interest earned (gross)		
On Fixed Deposit and Others (Tax deducted at source Rs.9,15,043 (2007-08 - Rs.62,963)	5,013	8,755
On Sales Tax Refund	703	–
On Income Tax refund	3,177	4,054
	322,508	73,749
Bill Discounting charges	39,600	15,273
Total	362,108	89,022

SCHEDULES

22. Notes on Accounts

1. Significant Accounting Policies

a) Basis of Consolidation

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

The Consolidated financial statements are prepared on the following basis:

- (i) The financial statements of the Holding Company and the Subsidiary companies have been combined on a line by line basis by adding together like item of assets, liabilities, income and expenses. The intra group balances, intragroup transactions and unrealized profit or losses thereon if any have been fully eliminated where such transactions took place subsequent to the date of acquisitions of the related subsidiary.
- (ii) The financial statements of the subsidiaries used in consolidation are drawn up to the same reporting date as that of the Holding Company in all cases except in the case of two subsidiaries where the gap is not more than three months.

The excess value of the consideration given over the net value of the identifiable assets acquired in subsidiary company is recognized as goodwill/ capital reserve. Goodwill is disclosed under fixed assets and is not amortised.

- (iii) The translation of the functional currencies into Indian Rupees (reporting currency) is performed for equity in the foreign subsidiaries, assets and liabilities using the closing exchange rate at the Balance Sheet date, and for revenues, costs and expenses using average exchange rates prevailing during the period. The resultant exchange difference arising out of such transaction is recognized as part of equity (Foreign Currency Translation Reserve Account) by the Parent Company until the disposal of investment.

b) List of Subsidiaries

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

Name of the Company	Country of Incorporation	Proportion of Ownership Interest	Reporting Dates
EWB MBE International Kornyezetvedelmi Kft.	Hungary	100%	31/12/2008
EWB Kornyezetvedelmi Kft.	Hungary	99%	31/12/2008
McNally Sayaji Engineering Limited	India	93%	31/03/2009
McNally Bharat Equipments Limited	India	99.40%	31/03/2009
McNally Bharat Infrastructure Limited	India	99.40%	31/03/2009

- (ii) During the year the Company has incorporated two Companies viz. McNally Bharat Equipments Limited and McNally Bharat Infrastructure Limited with 99.4% holding. There are no significant operations in such Companies.
- (iii) During the year, the Company has acquired 87.32% of the total Shareholding of Sayaji Iron & Engineering Limited (“Sayaji”) for Rs. 754,730,820/- as per the MOU dated 16.05.2008 from the promoters of Sayaji and the Open Offer to the shareholders of Sayaji. With this acquisition Sayaji has become a subsidiary of the Company with effect from 15.9.2008. The Name of Sayaji has subsequently been changed to McNally Sayaji Engineering Limited vide fresh Certificate of Incorporation issued on 29.10.2008 by the Government of India, Ministry of Corporate Affairs, Registrar of Companies, Gujarat.



SCHEDULES

22. Notes on Accounts (Contd)

- (iv) The financial statements of EWB MBE International Kornyezetvedelmi Kft. and EWB Kornyezetvedelmi 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, 2009 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	0.05 per cent
Net Current Assets	0.93 per cent
Total Income	1.01 per cent
Total Expenditure	0.98 per cent

c) Accounting Policy Statement and Basis of Accounting

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

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

d) Fixed Assets

- i) Fixed Assets other than those revalued are stated at their cost. Cost includes inward freight, duties and taxes and expenses incidental to acquisition and installation of fixed assets. Borrowing costs related to the acquisition or construction of the qualifying assets for the period upto the completion of their acquisition or construction are capitalized. Own manufactured assets are capitalized at cost including an appropriate share of overheads.
- ii) Depreciation
Depreciation on assets is provided as below:
- (a) Depreciation is provided on assets acquired up to 31/03/1989 on written down value method and assets acquired on or after 01/04/1989 on straight line method at the rates prescribed in schedule XIV of the Companies, Act 1956 or based on the remaining residual life whichever is higher.
- (b) Freehold Land and Leasehold Land (Perpetual Lease) are not depreciated. Other Leasehold land are amortised over the period of lease.
- (c) Intangible Assets include technical know-how for vibrating screen and granulators which are amortized over a period of five years and designs and drawing are amortized over a period of seven years respectively under straight line method. Intangible assets also include computer software which are amortized over a period of three to five years
- iii) Profit and Loss on disposal of Fixed Assets is recognized in Profit and Loss Account.
- iv) 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.

e) Government Grants

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

SCHEDULES

22. Notes on Accounts (Contd)

f) Investments

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

g) Inventories

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

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

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

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

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

h) Revenue Recognition

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

i) Foreign Currencies

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

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

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

j) Accounting of Claims

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



SCHEDULES

22. Notes on Accounts (Contd)

k) Income from Investments

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

l) Employee Benefits

(i) Defined Contribution Plans

Provident Fund :

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

Pension :

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

(ii) Defined Benefit Plans

Gratuities and Leave Encashment :

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

(iii) Other Long Term Employee Benefits

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

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

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

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

m) Borrowing Costs

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

SCHEDULES

22. Notes on Accounts (Contd)

n) Taxes on Income

Current tax represents the amount that would be payable based on computation of tax as per prevailing taxation laws.

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

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 of India.

2. As per the Scheme of Arrangement as sanctioned by the Hon'ble High Court at Calcutta vide its Order dated 28th July 2009 which was filed with the Registrar of Companies, West Bengal , Kolkata on 1st September 2009 , for reconstruction of McNally Bharat Engineering Company Limited (MBECL) and its subsidiary viz McNally Sayaji Engineering Ltd (MSEL) whereby the Products Division of MBECL engaged in the business of manufacture and/or procuring equipments for various engineering and infrastructure projects and having its units at Kumardhubi, in the State of Jharkhand and Asansol, in the State of West Bengal and Bangalore, in the State of Karnataka has been transferred to MSEL with effect from the appointed date, i.e. 01.04.2008 as under-

- (i) The entire business and all the assets and liabilities, duties and obligations of the Products Division of the Company have been transferred to and vested in MSEL from 01.04.2008, the appointed date as per the valuation by DBD Business Solutions (P) Ltd. as under-

Particulars	(Rs. in '000)
Fixed Assets	566,767
Capital work in Progress	175,659
Investments	4,183
Current Assets	562,741
Current Liabilities and Provisions	(314,224)
Secured Loans	(175,126)
Net Asset Value	820,000

- (ii) In discharge of the consideration for transfer of the Products Division of the Company to MSEL, MSEL would issue to MBECL 3,455,529 equity shares of Rs. 10/- each at a premium of Rs.227.30 per share credited as fully paid up in MSEL and such shares will rank pari passu in all respect with the existing equity shares of MSEL.

- (iii) As the effective date of such transaction was before the date on which the subsidiary was acquired the profit on such transaction has not been eliminated as there was no holding subsidiary relationship subsisting on such date.

	As at 31st March, 2009 Rs. in '000	As at 31st March, 2008 Rs. in '000
3. Estimated amount of contracts remaining to be executed on capital account and not provided for	65,604	161,804



SCHEDULES

22. Notes on Accounts (Contd)

	As at 31st March, 2009 Rs. in '000	As at 31st March, 2008 Rs. in '000
4. Other money for which the Group is contingently liable :		
a) Excise Duty matters pending in appeal related to issues of applicability and classification	22,511	21,482
b) Sales Tax matters pending in appeal relating to disputes regarding assessable value and exemptions claimed	6,344	5,955
c) Income Tax matters pending in appeal before tax authorities	1,324	–
d) Labour matters	983	–

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

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

Name of Investment	For the year ended 31st March, 2009		For the year ended 31st March, 2008	
	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
Standard Chartered Liquidity Manager-Plus-Fund - Short Term Plan - Growth	–	–	179	200,428
IDFC Mutual Fund	82	96,825	–	–
SBI Horizon Fund	1499	15,000	–	–
HDFC Cash Management Fund	997	10,000	–	–

6. 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. According to the company and Elsamex S.A. 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 and based on a legal opinion 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.
7. The Group has leasing arrangements in respect of operating leases for premises (residential, office, etc.). These leasing arrangements which are not non-cancellable are for a period of 3 years, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent under Schedule 18.

SCHEDULES

22. Notes on Accounts (Contd)

8. Information in respect of contracts in progress :

	2008-09 Rs. in '000	2007-08 Rs. in '000
Contract costs incurred	14,213,300	10,442,334
Add: Recognised profits net of recognised losses	950,387	708,531
Contract Revenues	15,163,687	11,150,865
Progress billing	14,915,946	10,663,649
Unbilled revenue (net)	247,741	487,216
Due from customers	951,489	808,564
Due to customers	703,748	321,348
Advance payments received	2,484,382	2,101,438
Amount of retentions	1,644,815	854,843

9. Auditors' Remuneration :

	As at 31st March, 2009 Rs. in '000	As at 31st March, 2008 Rs. in '000
Fees	1,303	1,250
Tax Audit	303	200
Miscellaneous Certificates	1,171	820
Out of Pocket Expenses	39	69
	2,816	2,339

10. Directors' Remuneration :

	As at 31st March, 2009 Rs. in '000	As at 31st March, 2008 Rs. in '000
Remuneration to director included in Schedule 18 :		
Salary	15,310	9,855
Contribution to Provident and Other Funds	2,313	1,539
Perquisites, etc.	4,541	157
Directors' Fees	655	590
	22,819	12,141

11. Capitalisation of Borrowing Cost :

Addition to Fixed Assets includes Rs. 10,975,934 (2007-08 Rs.3,051,785 included in Capital Work in Progress) towards capitalisation of interest on borrowings for acquiring qualifying assets in accordance with Accounting Standard 16 (Borrowing Cost) issued by The Institute of Chartered Accountants of India.



SCHEDULES

22. Notes on Accounts (Contd)

12. During the year ended 31.3.2007, the holding 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\$ 3 million outstanding as on 31.3.2008 was converted by the bondholders into 9,53,706 equity shares on 4.4.2008. The entire issue proceeds were utilized within 31.3.2008 itself.
13. The holding 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. Such warrants were converted to 14,53,000 equity shares on 4.4.2008 on receipt of the full value of consideration.

14. Defined Benefit Plans :

As per Actuarial valuation as on 31st March, 2009 and recognised in the financial statements in respect of Defined Employee Benefit Schemes

Description	Gratuity	Gratuity	Leave	Leave
	(Funded)	(Funded)	Encashment	Encashment
	as on	as on	(Unfunded)	(Unfunded)
	31.03.2009	31.03.2008	as on	as on
	Rs.in'000	Rs.in'000	31.03.2009	31.03.2008
			Rs.in'000	Rs.in'000
(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	67,361	32,816	24,803	18,386
Current Service Cost	6,552	3,355	1,866	5,927
Interest Cost	5,573	2,939	2,155	1,656
Actuarial (Gains)/Losses	3,824	5,225	6,056	(2,264)
Benefits Paid	(5,243)	(3,589)	(2,323)	(674)
Present Value of Obligation at the end of the year	78,067	40,746	32,557	23,031
(b) Reconciliation of the Opening and Closing balances of Plan Assets				
Fair Value of Plan Assets at the beginning of the year	50,524	20,736	–	–
Actual Return on Plan Assets	4,408	2,133	–	–
Actuarial Gains/(Losses)	27	–	–	–
Contributions	9,921	11,029	2,323	674
Benefits paid	(5,243)	(3,589)	(2,323)	(674)
Fair Value of Plan Assets at the end of the year	59,637	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	78,067	40,746	32,557	23,031
Fair Value of Plan Assets at the end of the year	59,637	30,309	–	–
Assets/(Liabilities) recognized in the Balance Sheet	(18,430)	(10,437)	(32,557)	(23,031)

SCHEDULES

22. Notes on Accounts (Contd)

Description	Gratuity (Funded) as on 31.03.2009	Gratuity (Funded) as on 31.03.2008	Leave Encashment (Unfunded) as on 31.03.2009	Leave Encashment (Unfunded) as on 31.03.2008
	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000
(d) Expense recognized in the Profit and Loss Account				
Current Service Cost	6,552	3,355	1,866	5,927
Interest Cost	5,573	2,939	2,155	1,656
Actual return on Plan Assets	(4,408)	–	–	–
Actuarial (Gains)/Losses	3,824	5,225	6,056	(2,264)
Actuarial (Gains)/Losses on Plan Assets	(27)	–	–	–
Total Expense recognized	11,514	11,519	10,077	5,319
(e) Category of Plan Assets :				
Fund with LIC/ SBI Life Insurance Company	59,007	30,309	–	–
Others (Including Bank Balances)	630	–	–	–
Total	59,637	30,309	–	–
(f) Actuarial Assumptions				
Discount Rate (Per annum)	7.50%	7.50%	7.50%	7.50%
Expected Rate of Return on Assets (Per annum)	8.50%	8.50%	0.00%	0.00%
Mortality Rate	In accordance with standard table LIC (1994-96) ultimate			

Notes :

- 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.
- Comparative values of defined benefit plans for the past one year instead of four financial years as required by Accounting Standard - 15 (Revised 2005) on Employees Benefits are provided, this being only the second year of adoption of the Standard.
- Amount recognized as an expense:
 - Contribution to Salaries, wages and bonus in Schedule 18 includes Leave Encashment of Rs.100,76,989 (2007-08 Rs.53,19,000).
 - Contribution to provident and other funds in Schedule 18 includes Gratuity of Rs.115,13,689 (2007-08 Rs.96,12,640).
 - Contribution to Workmen and staff welfare expenses in Schedule 18 includes Long Service Award of Rs.-155,404 (2007-08 Rs.42,000) and Sick Leave of Rs.65,31,638 (2007-08 Rs.805,000).
 - Contribution to provident and other funds in Schedule 18 includes Rs.222,29,338 (2007-08 Rs.1,38,63,743) towards contribution to Defined Contribution plans viz. Provident Fund, Pension Fund and Superannuation Fund.

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

(i) Relationships :

Key Management Personnel :

Mr. Srinivash Singh	-	Managing Director (MBECL)
Mr. Anil C. Patel	-	Chairman & Managing Director (up to 03.07.2008) (MSEL)
Mr. Nikhil V. Patel	-	Executive Director (up to 15.09.2008) (MSEL)
Mr. Kunal A. Patel	-	Executive Director (up to 15.09.2008) (MSEL)
Mr. Shambhu Prasad	-	Whole time Director (From 15.9.08) (MSEL)



SCHEDULES

22. Notes on Accounts (Contd)

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

	Rs. in '000
Remuneration	22,164
	(11,551)
Dividend paid	2.9
	(0.9)

Figures in bracket are for the year ended 31st March 2008.

16. Earnings Per Share :

	As at 31st March, 2009 Rs. in '000	As at 31st March, 2008 Rs. in '000
Net profit attributable to equity shareholders		
Profit after tax	435,470	224,594
Net profit available for basic earnings per share	435,470	224,594
Net profit attributable to equity shareholders		
Net profit available for basic earnings per share	435,470	224,594
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	435,470	222,551
No. of weighted average equity shares		
Basic	31,074,037	27,655,233
Effect of dilutive equity shares on account of:		
Foreign Currency Convertible Bonds and Convertible warrants	14,972	1,867,802
Diluted	31,089,009	29,523,035
Nominal value of equity share (Rs.)	10.00	10.00
Earnings per share (Rs.)		
Basic	14.01	8.12
Diluted	14.01	7.54

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

Kolkata, 7th September, 2009

Deepak Khaitan - Chairman
Srinivash Singh - Managing Director
Prabir Ghosh - Chief Financial Officer
D. Chatterjee - Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

	For the year ended 31st March, 2009		For the year ended 31st March, 2008	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
A. Cash Flow from Operating Activities :				
Net Profit Before Tax		819,796		324,538
<i>Adjustments for :</i>				
1. Depreciation	95,010		23,080	
2. Interest Charged	200,637		86,558	
3. Interest Income	(8,893)		(12,809)	
4. Dividend Income	(761)		–	
5. Loss/(Profit) on Sale of Fixed Assets (Net)	4,610		140	
6. Loss/(Profit) on Sale of Investment (Net)	(5,827)		(2,504)	
7. Bad Debts written off	9,987		1,362	
8. Advance written off	18,882		–	
9. Provision for bad and doubtful debts	2,756		934	
10. Provision for doubtful advances	1,411		–	
11. Liabilities no longer required written back	(3,790)		(11,176)	
12. Provision for employee benefits (Net)	22,629		4,057	
13. Fixed Assets written off	–		1,261	
14. Profit on transfer of Product Division	(230,719)		–	
15. Adjustment for Exchange Loss on Conversion of FCCB	16,470		–	
16. Loss on Diminution in Investment Value	1,244		–	
17. Unrealised (gain)/ loss on exchange (Net)	4,201		(10,898)	
18. Miscellaneous expenditure	(182)		–	
19. Foreign exchange (gain)/ loss on consolidation	539	128,204	(16)	79,989
Operating Profit Before Working Capital Changes		948,000		404,527
<i>Adjustments for :</i>				
1. Trade and other receivables	(3,339,626)		(1,498,377)	
2. Inventories	(371,217)		(78,738)	
3. Trade Payables	2,526,958	(1,183,885)	1,945,539	368,424
Cash generated from/ (used in) Operations		(235,885)		772,951
1. Direct Taxes Paid (net of refund received)	(137,405)		(43,271)	
		(137,405)		(43,271)
Net Cash from/ (used in) Operating Activities		(373,290)		729,680
B. Cash Flow from Investing Activities :				
Purchase of Fixed Assets	(1,474,566)		(288,405)	
Sale of Fixed Assets	3,644		404	
Interest Received	8,769		16,719	
Dividend Received	761		–	
Purchase of Investments	(93,136)		(138,975)	
Sale of Investments	229,059	(1,325,469)	40,507	(369,750)
Net Cash from/ (used in) Investing Activities		(1,325,469)		(369,750)



CONSOLIDATED CASH FLOW STATEMENT (Contd.)

	For the year ended 31st March, 2009		For the year ended 31st March, 2008	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
C. Cash Flow from Financing Activities :				
Interest Paid	(176,354)		(92,050)	
Proceeds from share warrants application money	–		188,876	
Issue of share capital	–		(259)	
Proceeds from Long Term Borrowings	970,064		17,614	
Repayment of Long Term Borrowings	(13,382)		(97,723)	
Proceeds from Other Borrowings	646,731		–	
Repayment of Other Borrowings	(556)		(194,273)	
Dividend paid (including tax thereon)	(39,269)	1,387,234	(31,340)	(209,155)
Net Cash from/ (used in) Financing Activities		1,387,234		(209,155)
Net Increase/(Decrease) in Cash and Cash Equivalents		(311,525)		150,775
Cash and Cash Equivalents (Opening Balance)		706,272		555,497
Add : Addition on acquisition of MSEL		123,015		–
Less : Transfer to MSEL as per Scheme of Arrangement		(99,721)		–
Cash and Cash Equivalents (Closing Balance)		418,041		706,272

Notes to the Cash Flow Statement for the year ended 31st March 2009

1. *Cash and Cash Equivalents :*

Cash & Cheques in hand	57,058	28,345
Remittance in Transit	13,045	4,550
With Scheduled Banks :		
On Current Account	300,760	645,217
On Deposit Account	47,178	28,160
	418,041	706,272
2. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement.
3. The transfer of the assets and liabilities of the Products Division to MSEL and the resultant investment in shares as referred to in Note 2 on Schedule 22, being a non cash transaction has not been considered in the statement above
4. Cash and Cash Equivalents include Rs.15,00,000 (2007-08 Rs. 69,82,492) which are not available for use at the year end by the Company.
5. 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.

Partha Mitra
Partner
Membership No. 50553
For and on behalf of
Lovelock & Lewes
Chartered Accountants
Kolkata, 7th September, 2009

Deepak Khaitan - Chairman
Srinivash Singh - Managing Director
Prabir Ghosh - Chief Financial Officer
D. Chatterjee - Company Secretary

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 2009, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, 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. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on 31st March 2009 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2009;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Kolkata, 7th September, 2009

Partha Mitra
Partner
Membership Number : 50553

For and on behalf of
Lovelock & Lewes
Chartered Accountants



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 2009]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
(b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
(c) In our opinion, the company has disposed of a substantial part of fixed assets during the year. On the basis of our examination of the books and records of the company, and according to the information and explanations given to us, in our opinion, the disposal of the said part of fixed assets has not affected the going concern status of the company.
2. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
(c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. The company has not granted /taken any loans, secured or unsecured, to /from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly the paragraphs 4(iii)(b),(c),(d),(f) and (g) of the Order are not applicable .
4. In our opinion and according to the information and explanations given to us, 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. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.
6. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.
9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, wealth tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities except in certain cases of deposits to investors education and protection fund, sales tax and service tax where there have been significant delays. There are no outstanding dues in respect of the above items, which are due for a period of more than six months as at the balance sheet date other than Works contract tax deducted amounting to Rs. 281,725.
(b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as at 31st March 2009 which have not been deposited on account of a dispute, are mentioned in Annexure A attached.
10. The company has no accumulated losses as at 31st March, 2009 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the company.
14. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the 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. The company has not issued any debentures during the year and therefore paragraph 4(xix) of the Order is not applicable.
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.

Partha Mitra

Partner

Membership Number : 50553

For and on behalf of

Lovelock & Lewes

Chartered Accountants

Kolkata, 7th September, 2009

ANNEXURE - A

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

NAME OF THE STATUTE	NATURE OF DUES	AMOUNT (Rs.)	PERIOD TO WHICH THE AMOUNT RELATES	FORUM IN WHICH THE DISPUTE IS PENDING
CENTRAL EXCISE ACT, 1944	Excise duty and Penal Interest thereon	12,951,359	1989-90 to 1992-93	Commissioner of Central Excise , Pondicherry
	SUB -TOTAL	12,951,359		
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	Assistant Commissioner, Commercial Taxes, Cuttack
WBST ACT ,1994	Sales Tax	390,375	2003-04	Senior Joint Commissioner, Commercial Taxes , Kolkata
CENTRAL SALES TAX ACT	Sales Tax	250,901	2005-06	Senior Joint Commissioner, Commercial Taxes , Kolkata
RAJASTHAN SALES TAX ACT, 1994	Sales Tax	132,840	2005-06	Deputy Commissioner, Appeals
UP TRADE TAX ACT, 1948	Sales Tax	130,111	2003-04	Deputy Commissioner, Appeals
	SUB -TOTAL	4,140,596		



BALANCE SHEET AS AT 31ST MARCH 2009

	Schedule No.	As at 31st March 2009 (Rs.'000)	As at 31st March 2008 (Rs.'000)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Capital	1	310,938	286,871
b) Reserves and Surplus	2	1,649,114	1,083,455
2. Share Warrant Application Money (Refer Note 24 on Schedule 22)			
		–	209,653
3. Loan Funds			
a) Secured Loans	3	1,508,953	506,499
b) Unsecured Loans	4	1,304	119,910
4. Deferred Tax Liability			
	14	83,388	11,383
Total		3,553,697	2,217,771
II. APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block		500,192	983,832
b) Less : Depreciation and Amortisation		86,813	364,410
c) Net Block	5	413,379	619,422
2. Capital Work In Progress			
		55,847	185,799
3. Investments			
	6	773,552	147,109
4. Current Assets, Loans and Advances			
a) Inventories	7	56,937	256,068
b) Sundry Debtors	8	6,521,685	3,711,151
c) Cash and Bank Balances	9	278,440	705,012
d) Other Current Assets	10	820,000	–
e) Loans and Advances	11	1,059,221	999,885
		8,736,283	5,672,116
Less : Current Liabilities and Provisions			
a) Liabilities	12	6,346,002	4,333,933
b) Provisions	13	79,362	72,742
		6,425,364	4,406,675
Net Current Assets		2,310,919	1,265,441
Total		3,553,697	2,217,771
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.

Partha Mitra
Partner
Membership No. 50553
For and on behalf of
Lovelock & Lewes
Chartered Accountants
Kolkata, 7th September, 2009

Deepak Khaitan - Chairman
Srinivash Singh - Managing Director
Prabir Ghosh - Chief Financial Officer
D. Chatterjee - Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

	Schedule No.	For the year ended 31st March 2009 (Rs.'000)	For the year ended 31st March 2008 (Rs.'000)
INCOME			
Sale of Equipments and contract revenue		9,679,771	5,595,667
Less : Excise Duty		—	127,855
		<u>9,679,771</u>	<u>5,467,812</u>
Profit on transfer of the Products Division of the Company as per scheme of arrangement (Refer Note 3 on Schedule 22)		230,719	—
Agency Commission		—	11,842
Sale of scrap		—	10,295
Other Income	15	54,590	10,625
Total		<u>9,965,080</u>	<u>5,500,574</u>
EXPENDITURE			
Materials	16	6,123,246	2,997,879
(Increase)/Decrease in Jobs-in-progress	17	—	27,279
Outsourcing Expenses to outsiders for job work		1,667,520	954,616
Expenses	18	1,290,847	1,097,733
Advance/Debts written off/Provision/Liabilities written back (net)	19	17,995	(11,454)
Depreciation and Amortisation	20	24,108	22,535
Interest and Finance charges (Net)	21	327,688	88,937
Total		<u>9,451,404</u>	<u>5,177,525</u>
PROFIT BEFORE TAXATION		513,676	323,049
TAXATION FOR THE YEAR			
Current Tax		95,000	85,591
Deferred Tax		72,005	7,945
Fringe Benefit Tax		5,502	5,513
		<u>172,507</u>	<u>99,049</u>
PROFIT AFTER TAXATION		341,169	224,000
Brought forward from previous year		436,822	249,952
		<u>777,991</u>	<u>473,952</u>
APPROPRIATIONS			
Proposed Dividend		38,867	31,094
Dividend for last year		—	636
Dividend Tax for last year		—	116
Dividend Tax		6,605	5,284
Transfer to General Reserve		18,000	—
Balance carried forward		714,519	436,822
		<u>777,991</u>	<u>473,952</u>
Notes on Accounts	22		
Earnings per Share (Refer Note 26 on Schedule 22)			
Basic		10.98	8.10
Diluted		10.98	7.52

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.

Partha Mitra
Partner
 Membership No. 50553
 For and on behalf of
Lovelock & Lewes
Chartered Accountants
 Kolkata, 7th September, 2009

Deepak Khaitan - *Chairman*
Srinivash Singh - *Managing Director*
Prabir Ghosh - *Chief Financial Officer*
D. Chatterjee - *Company Secretary*



SCHEDULES

	As at 31st March 2009 (Rs.'000)	As at 31st March 2008 (Rs.'000)
1. Capital		
Authorised		
4,00,00,000 Equity Shares of Rs. 10/- each	400,000	400,000
Issued and Subscribed		
3,10,93,818 (2007-08- 2,86,87,112) Equity Shares of Rs. 10/- each fully paid up	310,938	286,871
Refer Note 23 and Note 24 on Schedule 22		
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		
Total	310,938	286,871
2. Reserves and Surplus		
Capital Redemption Reserve	100	100
Securities Premium Account		
Balance as per last account	524,064	270,549
Add : Addition during the year [net of Issue Expenses relating to Foreign Currency Convertible Bonds (FCCB) after adjustment of tax effect amounting to Rs. Nil (2007-08 Rs.1,70,957)] (Refer Note 23 and Note 24 on Schedule 22)	321,966	253,515
Balance as at 31st March, 2009	846,030	524,064
Revaluation Reserve as per last account	52,004	76,121
Less : Transferred to Profit and Loss Account	-	24,117
Less : Amount withdrawn on assets transferred	52,004	-
Balance as at 31st March, 2009	-	52,004
General Reserve		
Balance as per last account	70,465	77,256
Less: Amount adjusted in view of transitional provision in compliance with AS 15 (Revised)	-	6,791
Add : Transferred from Profit and Loss Account	18,000	-
Balance as at 31st March, 2009	88,465	70,465
Profit and Loss Account		
Balance as per last account	436,822	249,952
Add : Profit for the year	277,697	186,870
Balance as at 31st March, 2009	714,519	436,822
Total	1,649,114	1,083,455

SCHEDULES

	As at 31st March 2009 (Rs.'000)	As at 31st March 2008 (Rs.'000)
3. Secured Loans		
From Banks :		
Overdraft including Working Capital Demand Loans (including interest accrued and due Rs.4,30,950; 2007-08 - Rs.Nil) Secured on a pari passu basis by the current assets of the Company including that of the erstwhile Products Division of the Company and immoveable and moveable assets located at the manufacturing Unit 1 of the Factory Premises of the erstwhile Kumardhubi unit of the Company. (Refer Note 3(iii) on Schedule 22)	941,841	467,915
Term Loans	550,000	16,670
Secured by first charge over the immoveable and movable assets at the erstwhile Asansol and Bangalore units of the Company and the equipments to be procured under the facility (Refer Note 3(iii) on Schedule 22)		
Car Loans	1,385	3,483
Secured by hypothecation of motor vehicles acquired out of these loans.		
From Others :		
Equipment Finance Loan Secured by hypothecation of the tangible movable assets acquired out of these loans.	15,727	18,431
Total	1,508,953	506,499
4. Unsecured Loans		
Short Term Loan :		
From banks (overdraft)	1,304	-
Other Loans:		
From others:		
4.5% Foreign Currency Convertible Bond (Refer Note 23 on Schedule 22)	-	119,910
Total	1,304	119,910

SCHEDULES
5. Fixed Assets

Rs. '000

Particulars	GROSS BLOCK AT COST / VALUATION				DEPRECIATION/ AMORTISATION				NET BLOCK		
	As at 1st April 2008	Additions	Deletion	Assets transferred as per scheme of arrangement*	As at 31st March 2009	As at 1st April 2008	For the Year	Deletion	On assets transferred as per scheme of arrangement*	As at 31st March 2009	As at 31st March 2008
TANGIBLE ASSETS :											
Free Hold Land **	71,982	-	-	15,428	56,554	-	-	-	-	56,554	71,982
Lease Hold Land	73,437	-	-	73,437	-	-	-	-	1,032	-	72,405
Building **	243,979	-	-	237,776	6,203	-	207	-	104,370	5,884	139,497
Plant & Machinery	417,698	190,873	-	233,205	375,366	-	17,149	-	125,599	314,590	248,472
Furniture & Fixture	18,100	6,554	-	5,718	18,936	-	836	-	3,594	13,094	9,500
Refrigerators & Air Conditioners	9,431	2,068	-	3,261	8,238	-	356	-	1,882	7,065	6,732
Office Equipments	4,538	163	-	1,826	2,875	-	117	-	964	1,420	2,271
Vehicles	9,259	898	1,447	3,487	5,223	-	475	188	1,879	3,857	6,301
Telephone Plant	1,578	539	-	790	1,327	-	50	-	408	993	886
Cooking Appliances	94	-	-	94	-	-	-	-	87	-	7
INTANGIBLE ASSETS											
Technology for:											
Pump #	75,290	-	-	75,290	-	-	-	-	37,645	-	37,645
Mineral Processing Equipment #	26,297	-	-	26,297	-	-	-	-	13,150	-	13,147
Vibrating Screens	8,572	-	-	8,572	-	-	-	-	7,448	-	1,124
Granulators etc.	4,289	-	-	4,289	-	-	-	-	3,438	-	851
Computer Software	19,288	6,281	-	99	25,470	-	4,918	-	21	15,583	8,602
TOTAL	983,832	207,376	1,447	689,569	500,192	364,410	24,108	188	301,517	86,813	619,422
Previous Year	778,894	215,917	10,979	-	983,832	326,932	46,652	9,174	-	364,410	619,422

* Refer Note 3(i) on Schedule 22

Acquired on amalgamation.

** Includes Land of Rs. 565,54,138 and Building of Rs. 62,02,269 acquired at a consolidated price apportioned on the basis of municipal valuation.

SCHEDULES

	As at 31st March 2009 (Rs.'000)	As at 31st March 2008 (Rs.'000)
6. Investments -Unquoted unless otherwise stated		
Current - Other than trade		
Investment in Nil Units (2007-08 1,22,491.443 Units) of Standard Chartered Liquidity Manager-Plus-Fund- Short Term Plan - Growth	-	138,975
Investment in 7229.747 Units of IDFC Liquid Fund - Growth	8,700	-
Long Term (at cost)		
A. IN SUBSIDIARY COMPANIES	7,427	7,427
100% Shares fully paid up in EWB-MBE International Kornyezetvedelmi Kft. Hungary (formerly EWB-MBE International Environmental Limited)		
34,05,825 Equity Shares of Rs. 10 each fully paid up in McNally Sayaji Engineering Limited (Quoted) *	754,731	-
99,400 Equity shares of Rs.10 each fully paid in McNally Bharat Equipments Limited	994	-
99,400 Equity shares of Rs.10 each fully paid in McNally Bharat Infrastructure Limited	994	-
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 Rs10 each fully paid-up in McNally Bharat Co-operative Credit Society Limited	-	1
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
Total	773,552	147,109
Aggregate Book Value of Unquoted Investments	18,365	146,653
Aggregate Book Value of Quoted Investments	755,187	456
Aggregate Market Value of Quoted Investments	755,633	1,149

* The market value of the shares in McNally Sayaji Engineering Limited is based on the price as per open offer made by MBECL as there was no trading in such stock.



SCHEDULES

	As at 31st March 2009 (Rs.'000)	As at 31st March 2008 (Rs.'000)
7. Inventories		
Stores and Spare Parts (including In-Transit Rs.Nil ; 2007-08 - Rs.84,12,637;)	1,949	30,260
Loose Tools	-	7,345
Raw Materials (including In-Transit Rs.Nil ; 2007-08 - Rs.6,97,12,160)	54,988	112,914
Jobs-in-Progress	-	105,549
Total	56,937	256,068
8. Sundry Debtors		
Unsecured		
Debts outstanding for a period exceeding six months*		
- Considered good	1,680,310	1,493,124
- Considered doubtful	-	1,807
	1,680,310	1,494,931
Less : Provision for doubtful debts	-	1,807
	1,680,310	1,493,124
Other Debts - Considered good #	4,841,375	2,218,027
* Including Retention money not due Rs. 1,21,88,81,401 (2007-08 Rs.1,05,09,70,286)		
# Including due from customers Rs. 24,77,41,000 (net) (2007-08 including due from customers Rs.48,72,15,808) not yet billed as per terms of contract (Refer Note 21 on Schedule 22)		
Total	6,521,685	3,711,151
9. Cash and Bank Balances		
Cash and Cheques in hand	55,383	28,345
Remittance in transit	13,045	4,550
With Scheduled Banks		
On Current Account *	206,360	643,957
On Deposit Account #	3,652	28,160
Total	278,440	705,012

* Includes Rs.11,05,37,322 (2007-08 Rs.26,50,70,609) in Escrow Account

Includes Rs. Nil (2007-08 Rs. 69,82,492) pledged with Banks

SCHEDULES

	As at 31st March 2009 (Rs.'000)	As at 31st March 2008 (Rs.'000)
10. Other Current Assets		
Receivable from McNally Sayaji Engineering Limited (Refer Note 3 on Schedule 22)	820,000	–
Total	820,000	–
11. Loan and Advances - Unsecured considered Good		
Advance to Subsidiaries	95,693	–
Advances recoverable in cash or in kind or for value to be received	762,251	817,144
Deposits with Government, Public bodies and Others	138,890	146,628
Balance with Central Excise	55,982	19,693
Advance payment of tax (net of Provision for Tax)	6,405	16,420
Total	1,059,221	999,885
12. Current Liabilities		
Acceptances	428,368	303,482
Sundry Creditors		
Total outstanding dues of Micro and Small enterprises (Refer Note 19 on Schedule 22)	–	821
Total outstanding dues of creditors other than micro and small enterprises	2,881,136	1,673,387
Dues to Subsidiary	2,38,800	–
Advance Payment from customers	2,509,571	2,210,498
Other Liabilities	284,992	145,579
Interest accrued but not due on loan	3,135	166
Total	6,346,002	4,333,933
There are no amounts due and outstanding to be credited to Investor Education and Protection Fund		
13. Provisions		
Proposed Dividend	38,867	31,094
Dividend Tax	6,605	5,400
Provision for Employee Benefits	33,890	36,248
Total	79,362	72,742
14. Deferred Tax		
Liabilities :		
Depreciation	91,691	17,588
Assets :		
Sec 43B items	(8,303)	(5,591)
Other items	–	(614)
Total	83,388	11,383



SCHEDULES

	For the year ended 31st March, 2009 (Rs.'000)	For the year ended 31st March, 2008 (Rs.'000)
15. Other Income		
Service Charges	48,783	3,600
Income from Investment	11	11
Dividend from Subsidiary company	–	1,323
Profit on Sale of Current Investment (Net)	5,575	2,504
Miscellaneous Income	221	3,187
Total	54,590	10,625
16. Materials		
Balance as at 1st April 2008	112,914	31,648
Less Transferred to MSEL as per scheme of arrangement (Refer Note 3 on Schedule 22)	(69,595)	–
Add : Purchases	1,927,419	1,069,199
	1,970,738	1,100,847
Less : Balance as at 31st March 2009	54,988	112,914
Consumption of Raw Materials	1,915,750	987,933
Consumption of bought out Components and Spare Parts	4,207,496	1,983,842
Purchase of Traded Goods	–	26,104
Total	6,123,246	2,997,879
17. (Increase)/Decrease in Jobs-in-Progress		
Balance as at 1st April 2008	105,549	132,828
Less : Transferred to MSEL as per scheme of arrangement (Refer Note 3 on Schedule 22)	(105,549)	–
	–	132,828
Balance as at 31st March 2009	–	105,549
Total	–	27,279

SCHEDULES

	For the year ended 31st March, 2009 (Rs.'000)	For the year ended 31st March, 2008 (Rs.'000)
18. Expenses		
Salaries, wages and bonus	388,014	309,468
Contribution to provident and other funds	21,213	23,545
Workmen and staff welfare expenses	27,613	18,360
Professional Services	87,169	54,302
Consumption of Stores and Spare Parts	3,248	12,715
Power and Fuel	9,744	22,856
Repairs to Building	453	3,970
Repairs to Machinery	4,476	8,149
Repairs - others	48,900	31,486
Rent	27,621	17,866
Subscriptions and donations	2,036	2,755
Bank charges	152,767	105,603
Rates and taxes	87,520	24,470
Insurance	16,564	18,713
Cartage and freight	216,384	238,046
Directors' fees	580	590
Travelling	116,500	97,349
Running and maintenance of vehicles	1,133	3,874
Royalty	-	8,380
Fixed Assets written off	-	1,261
Loss on Exchange Fluctuations (Net)	23,564	29,731
Commission Expenses	-	1,382
Provision for Bad and Doubtful Debts	-	934
Loss on sale of Fixed Assets (Net)	271	140
Miscellaneous	55,077	65,970
	<u>1,290,847</u>	<u>1,101,915</u>
Less : Transferred to Capital Work in Progress	-	4,182
Total	<u>1,290,847</u>	<u>1,097,733</u>



SCHEDULES

	For the year ended 31st March, 2009 (Rs.'000)	For the year ended 31st March, 2008 (Rs.'000)
19. Advance/ Debts written off/ Provision/ Liabilities written back (net)		
Debts written off	–	1,318
Advances written off	18,138	–
	<u>18,138</u>	<u>1,318</u>
Less :		
Debts/ Advances realised	–	1,596
Liabilities no longer required written back	143	11,176
Total	<u>17,995</u>	<u>(11,454)</u>
20. Depreciation & Amortisation		
Total Charge	24,108	46,652
Less : Transferred from Revaluation Reserve	–	24,117
Total	<u>24,108</u>	<u>22,535</u>
21. Interest and Finance charges		
Interest		
On Fixed Loans	65,250	16,363
On Others	230,404	70,107
	<u>295,654</u>	<u>86,470</u>
Less : Interest earned (gross)		
On Fixed Deposit and Others (Tax deducted at source Rs.36,271 (2007-08 - Rs.62,963)	401	8,752
On Income Tax refund	3,316	4,054
	<u>291,937</u>	<u>73,664</u>
Bill Discounting charges	35,751	15,273
Total	<u>327,688</u>	<u>88,937</u>

SCHEDULES

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.
- iii. **FIXED ASSETS**
 - a) Fixed Assets are stated at their cost. Cost includes inward freight, duties and taxes and expenses incidental to acquisition and installation of fixed assets. Borrowing costs related to the acquisition or construction of the qualifying assets for the period upto the completion of their acquisition or construction are capitalized. Own manufactured assets are capitalized at cost including an appropriate share of overheads.
 - b) **Depreciation**
Depreciation on assets is provided on Straight Line Method as below:
At rates specified in Schedule XIV to the Companies Act, 1956 as prevailing on the date of acquisition of the assets except for certain items of plant and machinery which are depreciated at 7.07% - 11.31%
 - c) Profit and Loss on disposal of Fixed Assets is recognized in Profit and Loss Account.
 - d) Intangible assets are amortized over a period of three to five years on straight line basis.
 - e) An impairment loss is recognized where applicable when the carrying value of the fixed assets exceeds its market value or value in use, whichever is higher.
- iv. **GOVERNMENT GRANTS**
Grants/Subsidies that relate to Capital Expenditure are deducted from the cost of the assets. Other grants/subsidies are credited to the Profit and Loss Account.
- v. **INVESTMENTS**
Investments that are readily realizable and intended to be held for not more than one year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost. However provision for diminution in value is made to recognize a decline other than temporary in the value of investments.
- vi. **INVENTORIES**
Inventories are stated at cost or net realizable value whichever is lower. Cost is determined on Weighted Average Basis. Cost comprises of expenditure incurred in the normal course of business in bringing such inventories to their location and condition.

Obsolete, slow moving and defective stocks are identified at the time of physical verification of stocks and where necessary, provision is made for such stocks.
- vii. **REVENUE RECOGNITION**
Revenue on contracts is recognized on percentage of completion method wherein the stage of completion is determined with reference to the ratio of the contract cost incurred for work performed upto the reporting date to the estimated total contract cost. In the case of unit rate contracts the stage of completion is determined with reference to the valuation of the actual amount of work completed as per the contracted rates. In cases where the current estimate of total contract cost and revenue indicate a loss, such loss is recognized as an expense.



SCHEDULES

22. Notes on Accounts (Contd.)

viii. FOREIGN CURRENCIES

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

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

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

ix. INCOME FROM INVESTMENTS

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

x. EMPLOYEE BENEFITS

(a) Defined Contribution Plans

Provident Fund

Contribution to Provident Fund, which is administered by an independent Trust / Fund maintained by the Regional Fund Commissioner, is charged to the Profit and Loss Account. In respect of Provident Fund contributions made to an independent fund administered by a Trust, the interest rate payable to the members of the Trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 and shortfall, if any, is made good by the 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 is ascertained on the basis of actuarial valuation at the year-end and provided for. The scheme, which is funded is administered by Life Insurance Corporation of India (LIC). Accrued liability towards leave encashment benefits payable to employees is evaluated on the basis of actuarial valuation at the end of the year and is recognized as a charge in the accounts.

(c) Other Long Term Employee Benefits

Other long term employee benefits comprising of entitlement to accumulation of Sick Leave and Long Service Award is provided 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 in the Profit and Loss Account.

SCHEDULES

22. Notes on Accounts (Contd.)

xi. BORROWING COSTS

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

xii TAXES ON INCOME

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

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

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

2. During the year, the Company has acquired 87.32% of the total Shareholding of Sayaji Iron & Engineering Company Limited (Sayaji) for Rs. 754,730,820/ as per the MOU dated 16.05.2008 from the promoters of Sayaji and the Open Offer to the shareholders of Sayaji. With this acquisition Sayaji has become a subsidiary of the Company with effect from 15.9.2008. The Name of Sayaji has subsequently been changed to McNally Sayaji Engineering Limited vide fresh Certificate of Incorporation issued on 29.10.2008 by the Government of India, Ministry of Corporate Affairs, Registrar of Companies, Gujarat.
3. As per the Scheme of Arrangement as sanctioned by the Hon'ble High Court at Calcutta vide its Order dated 28th July 2009 which was filed with the Registrar of Companies, West Bengal , Kolkata on 1st September 2009 , for reconstruction of McNally Bharat Engineering Company Limited (MBECL) and its subsidiary viz McNally Sayaji Engineering Ltd (MSEL) whereby the Products Division of MBECL engaged in the business of manufacture and/or procuring equipments for various engineering and infrastructure projects and having its units at Kumardhubi, in the State of Jharkhand and Asansol, in the State of West Bengal and Bangalore, in the State of Karnataka has been transferred to MSEL with effect from the appointed date, i.e. 01.04.2008 as under-
 - i. The entire business and all the assets and liabilities, duties and obligations of the Products Division of the Company have been transferred to and vested in MSEL from 01.04.2008, the appointed date as per the valuation by DBD Business Solutions (P) Ltd. as under-

Particulars

(Rs. in '000)

Fixed Assets	566,767
Capital work in Progress	175,659
Investments	4,183
Current Assets	562,741
Current Liabilities and Provisions	(314,224)
Secured Loans	(175,126)
Net Asset Value	820,000



SCHEDULES

22. Notes on Accounts (Contd.)

- ii. In discharge of the consideration for transfer of the Products Division of the Company to MSEL, MSEL would issue to MBECL 3,455,529 equity shares of Rs. 10/- each at a premium of Rs.227.30 per share credited as fully paid up in MSEL and such shares will rank pari passu in all respect with the existing equity shares of MSEL.
 - iii. The transfer and vesting of Products Division of the MBECL to MSEL shall be subject to the existing charges, mortgages and encumbrances, if any, over the assets or any part thereof, provided however, that such charges, mortgages and/or encumbrances shall be confined only to the assets of MBECL or part thereof on or over which they are subsisting on transfer to and vesting of such assets in MSEL and no such charges, mortgages and/ or encumbrances shall extend over or apply to any other asset(s) of MSEL. Thus the existing charges on the assets of the Products Division for facilities enjoyed by MBECL will continue and vice versa. Accordingly working capital demand loans, cash credit facilities, term loans and other non fund based facilities of the Company are secured by assets which include those of the Product Division of MSEL.
4. In addition to the assets and liabilities transferred as per this scheme of Arrangement specified in Note 2 (i) above, a number of loans / other assets have been transferred from the Products Division of MSEL to MBECL and vice versa during the year with the mutual consent of both the parties. The details of which are as follows :

Particulars	Rs. in '000
Loan Balance transferred from MBECL to the Products Division of MSEL	441,708
Loan Balance transferred from the Products Division MSEL to MBECL	98,531
Fixed Assets Transferred from MBECL to the products Division of MSEL	752
Fixed Assets Transferred from Products Division MSEL to MBECL	20,516
Investments transferred from Products Division of MSEL to MBECL	456
Share of employee liabilities of the Products Division of MSEL as on 1.4.2008 transferred from MBECL	8,316
Balance lying in Product Division of MSEL books on account of Provision for Fringe Benefit Tax (net of Advance Payment) transferred to MBECL	316
Other Assets transferred from Products Division of MSEL to MBECL	848

SCHEDULES

22. Notes on Accounts (Contd.)

	As at 31st March, 2009 Rs. in '000	As at 31st March, 2008 Rs. in '000
5. Estimated amount of contracts remaining to be executed on capital account and not provided for	7,054	161,804
6. Other money for which the Company is contingently liable :		
a) Excise Duty matters pending in appeal related to issues of applicability and classification	12,951	21,482
b) Sales Tax matters pending in appeal relating to disputes regarding assessable value and exemptions claimed	4,282	5,955
c) Income Tax matters pending in appeal	1,324	–
The extent of probable cash outflow in respect of the above matters is not determinable at this stage.		
7. Jobs-in-Progress include value of Raw Materials lying with third parties for fabrication	–	4,749
8. Stores and Spare Parts consumed include loose tools	–	677
9. Auditors' Remuneration :		
Fees	1,250	1,250
Tax Audit	300	200
Miscellaneous Certificates	1170	820
Out of Pocket Expenses	38	69
	2,758	2,339
10. Directors' Remuneration :		
Remuneration to director included in Schedule 18 :		
Salary	12,530	9,855
Contribution to Provident and Other Funds	1,944	1,539
Perquisites, etc.	134	157
Directors' Fees	580	590
	15,188	12,141



SCHEDULES

22. Notes on Accounts (Contd.)

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

Name of Investment	For the year ended 31st March 2009		For the year ended 31st March 2008	
	No of Units (‘000)	Cost (Rs.‘000)	No of Units (‘000)	Cost (Rs.‘000)
IDFC Mutual Fund	82	96,825	–	–
Grindlays Floating Rate Fund - Short Term Plan - Growth	–	–	1,957	24,500
Standard Chartered Liquidity Manager- Plus-Fund - Short Term Plan – Growth	–	–	179	200,428

12. 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. According to the company and Elsamex S.A. 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 and based on a legal opinion 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.

13. a) Installed Capacity of Plant at Kumardhubi (for 2007-08)

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

SCHEDULES

22. Notes on Accounts (Contd.)

ii) Cement Mill Machinery	Two Plant of 3,000 Tonnes and above per day each 1000 MT X 2	Two Plants of 3,000 Tonnes and above per day each = 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 500 MT x 9	Nine Plants per annum = 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		
1.1	Coal Handling, Material Handling, Crushing & Conveying Systems, etc.	Nos.	10
1.2	Metallurgical & Mineral Process Plants for Aluminium, Copper, Zinc, Iron Ore etc. including coal washeries	Nos.	8
1.3	Ash Handling Plants	Nos.	12
1.4	Water Management Systems	Nos.	6
1.5	Port Handling Equipment & Stockyard Machinery	Nos.	30
1.6	Structural Fabrication	MT	30,000

Note : The installed capacities are as certified by the Management

14. Sale and Production for the year ended 31st March, 2009

	Production Quantity M.T./Nos.	Quantity Nos.	Purchase Amount Rs.' 000	Quantity M.T./Nos.	Sale Amount Rs.' 000
1. Metallurgical Machinery.					
a) Kin and Cooler Plant / Machinery / Spares	— (34)	—	—	— (34)	— (17,748)
b) Crushing and Screening Plant / Machinery / Spares	— (101)	—	—	— (101)	— (22,732)
c) Feeders and Gates Machinery / Spares	— (56)	—	—	— (56)	— (15,238)
d) Ball Mill-Machinery / Spares	— (328)	—	—	— (328)	— (71,869)
e) Structural Steel Work, Engineering, Fabrication and Erection	— (149)	—	—	— (149)	— (34,078)
f) Mineral Beneficiation Plant / Machinery / Spares	4 Nos. (78 MT/4 Nos.)	—	—	4 Nos. (78 MT/4 Nos.)	904,400 (694,447)



SCHEDULES

22. Notes on Accounts (Contd.)

2. Material Handling and Conveying Plant / Machinery / Spares	151 Nos. (832 MT/107 Nos.)	–	–	151 Nos. (832 MT/107Nos.)	7,941,519 (4,106,164)
3. Coal Washing Plant / Machinery / Spares	– (35)	–	–	– (35)	– (7675)
4. Cement Mill/Plant	– (74)	–	–	– (74)	– (11769)
5. Pump and Spares	– (9264 Nos.)	– (8 Nos.)	– (11,667)	– (9217 Nos.)	– (91,280)
6. Road Construction	– –	–	–	–	23,032 (32,904)
7. Water Management System	2 Nos. (2 Nos.)	–	–	2 Nos. (2 Nos.)	4,820 (4,430)
8. Port Equipment	8 Nos. (10 Nos.)	–	–	8 Nos. (10 Nos.)	796,000 (334,594)
9. Thickener, Floatation cells and spares	– (781 Nos.)	–	–	– (781 Nos.)	– (111,443)
10. Cargo Handling	– (92765 Nos.)	– (2684 Nos.)	– (14,437)	– (95449 Nos.)	– (39,296)
TOTAL	165 Nos.	–	–	165 Nos.	9,679,771
	(1688 MT/ 102933 Nos.)	(2692 Nos.)	(26,104)	(1688 MT/ 105570Nos.)	(5,595,667)
Excise Duty					– (127,855)
TOTAL	165 Nos.	–	–	165 Nos.	9,679,771*
	(1688 MT/ 102933 Nos.)	(2692 Nos.)	(26,104)	(1688 MT/ 105570 Nos.)	(5,467,812)*

Note : Figures in brackets are for the year ended 31st March, 2008.

*Includes contract revenue recognized for the period Rs. 9,549,600,065 (2007-08 Rs. 4,966,582,450).

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

	For the year ended 31st March 2009		For the year ended 31st March 2008		
	Quantity	Amount Rs. '000	Quantity	Amount Rs. '000	
Raw Materials :					
a) Steel	Tonnes	58,105	1,915,750	31,914	984,623
b) Pipes	Meters	–	–	9,785	3,310
			1,915,750		987,933
Components, Spare Parts, Stores, etc.					
a) Casting	Tonnes	–	–	749	57,554
b) Motors	Nos.	–	–	84	6,581
c) Belting	Meters	37,398	139,289	–	–
d) Pipes	Meters	91,857	69,014	–	–
e) Others			4,002,441		1,934,461
			4,210,744		1,998,596

SCHEDULES

22. Notes on Accounts (Contd.)

16. Break-up of Imported and Indigeneous Materials Consumed

	Percentage %	Amount Rs. '000	Percentage %	Amount Rs. '000
Raw Materials :				
a) Imported	–	–	–	–
b) Indigeneous	100.00%	1,915,750	100.00%	987,933
	100.00%	1,915,750	100.00%	987,933
Components, Spare Parts, Stores, etc				
a) Imported	2.66%	112,163	5.58%	111,509
b) Indigeneous	97.34%	4,098,581	94.42%	1,887,087
	100.00%	4,210,744	100.00%	1,998,596

17. Value of Import (CIF Basis)

	For the year ended 31st March, 2009 (Rs.'000)	For the year ended 31st March, 2008 (Rs.'000)
Components, Spare Parts and Stores	112,163	112,356
Capital Goods	97,821	859
	209,984	113,215

18. a) Expenditure in Foreign Currency

	For the year ended 31st March, 2009 (Rs.'000)	For the year ended 31st March, 2008 (Rs.'000)
Travelling	2,645	4,757
Royalty and Technical Know-How	–	19,048
Professional and consultation fees	118,314	2,764
Interest	–	7,766
Others	273	111,509
	121,232	145,842

b) Earnings in Foreign Exchange

	For the year ended 31st March, 2009 (Rs.'000)	For the year ended 31st March, 2008 (Rs.'000)
Sale of contracts	–	11,532
Export of Goods and Components	–	72,308
Interest	–	6,059
Dividend	–	1,323
Others – for services rendered	–	8,214
	–	99,436



SCHEDULES

22. Notes on Accounts (Contd.)

- c) Net dividend remitted in foreign currency

	2008-09 Rs. in '000	2007-08 Rs. in '000
No. of shareholders	1	1
No. of shares held	474,000	551,384
Dividend remitted	474	551
Year for which remitted	2007-08	2006-07

19. Details of Dues to Micro and Small enterprises:

	2008-09		2007-08	
	Principal Rs. in '000	Interest Rs. in '000	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

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.

SCHEDULES

22. Notes on Accounts (Contd.)

20. 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.

21. Information in respect of contracts in progress :

	2008-09 Rs. in '000	2007-08 Rs. in '000
Contract costs incurred	14,213,300	10,442,334
Add : Recognised profits net of recognised losses	950,387	708,531
Contract Revenues	15,163,687	11,150,865
Progress billing	14,915,946	10,663,649
Unbilled revenue (net)	247,741	487,216
Due from customers	951,489	808,564
Due to customers	703,748	321,348
Advance payments received	2,484,382	2,101,438
Amount of retentions	1,644,815	854,843

22. Defined Benefit Plans :

As per Actuarial valuation as on 31st March, 2009 and recognised in the financial statements in respect of Defined Employee Benefit Schemes

Description	Gratuity (Funded)	Gratuity (Funded)	Leave Encashment (Unfunded)	Leave Encashment (Unfunded)
	Rs.in'000 31.3.2009	Rs.in'000 31.3.2008	Rs.in'000 31.3.2009	Rs.in'000 31.3.2008
(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	40,746	32,816	23,031	18,386
Less Transferred consequent to Scheme of arrangement (Refer Note 3)	(26670)		(7111)	
Current Service Cost	3,956	3,355	961	5,927
Interest Cost	1,444	2,939	1,614	1,656
Actuarial (Gains)/Losses	1,789	5,225	6,610	(2,264)
Benefits Paid	(1368)	(3,589)	(676)	(674)
Present Value of Obligation at the end of the year	19,897	40,746	24,429	23,031



SCHEDULES

22. Notes on Accounts (Contd.)

Description	Gratuity	Gratuity	Leave	Leave
	(Funded)	(Funded)	Encashment (Unfunded)	Encashment (Unfunded)
	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000
	31.3.2009	31.3.2008	31.3.2009	31.3.2008
(b) Reconciliation of the Opening and Closing balances of Plan Assets				
Fair Value of Plan Assets at the beginning of the year	30309	20,736	–	–
Less Transferred consequent to Scheme of Arrangement (Refer Note 3)	(17300)			
Actual Return on Plan Assets	1257	2,133	–	–
Actuarial Gains/(Losses)	(59)	–	–	–
Contributions	3739	11,029	676	674
Benefits paid	(1368)	(3,589)	(676)	(674)
Fair Value of Plan Assets at the end of the year	16578	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	19,897	40,746	24,429	23,031
Fair Value of Plan Assets at the end of the year	16,578	30,309	–	–
Assets/(Liabilities) recognized in the Balance Sheet	(3319)	(10,437)	(24,429)	(23,031)
(d) Expense recognized in the Profit and Loss Account				
Current Service Cost	3956	3,355	961	5,927
Interest Cost	1444	2,939	1,614	1,656
Actual return on plan assets	1789	–	–	–
Actuarial (Gains)/Losses	(1257)	5,225	6,610	(2,264)
Actual Gain /Loss on plan assets	59	–	–	–
Total Expense recognized	5991	11,519	9,185	5,319
(e) Category of Plan Assets :				
Fund with LIC	16,578	30,309	–	–
Total	16,578	30,309	–	–
(f) Actuarial Assumptions				
Discount Rate (Per annum)	7.50%	7.50%	7.50%	7.50%
Expected Rate of Return on Assets (Per annum)	8.50%	8.50%	0.00%	0.00%
Mortality Rate	In accordance with standard table LIC (1994-96) ultimate.			

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) Comparative values of defined benefit plans for the past one year instead of four financial years as required by Accounting Standard - 15 (Revised 2005) on Employees Benefits are provided, this being only the second year of adoption of the Standard.

SCHEDULES

22. Notes on Accounts (Contd.)

(c) Amount recognized as an expense:

- (i) Contribution to Salaries, wages and bonus in Schedule 18 includes charge on account of Leave Encashment of Rs. 91,84,920 (2007-08 Rs.53,19,000).
- (ii) Contribution to provident and other funds in Schedule 18 includes charge on account of Gratuity of Rs. 59,90,894 (2007-08 Rs.96,12,640).
- (iii) Contribution to Workmen and staff welfare expenses in Schedule 18 includes charge on account of Long Service Award of Rs. 46,687 (2007-08 Rs. 42,000) and Sick Leave of Rs.55,58,013 (2007-08 Rs.805,000).
- (iv) Contribution to provident and other funds in Schedule 18 includes Rs. 1,52,22,158 (2007-08 Rs.1,38,63,743) towards contribution to Defined Contribution plans viz. Provident Fund, Pension Fund and Superannuation Fund.

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\$ 3 million outstanding as on 31.3.2008 was converted by the bondholders into 9,53,706 equity shares on 4.4.2008. The entire issue proceeds were utilized within 31.3.2008 itself.

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 Rs144.29 during the year ended 31.3.2008. Such warrants were converted to 14,53,000 equity shares on 4.4.2008 on receipt of the full value of consideration.

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

Relationships

a) Subsidiaries of the Company

- (i) EWB-MBE International Kornyezvetdelmi Kft, Hungary (EWB-MBE) (formerly EWB-MBE International Environmental Ltd.)
- (ii) McNally Sayaji Engineering Limited (MSEL) (w.e.f 15.9.2008)
- (iii) McNally Bharat Equipments Limited (MBEL)
- (iv) McNally Bharat Infrastructure Limited (MBIL)

b) Subsidiary of EWB-MBE International Kornyezvetdelmi Kft, Hungary

- EWB Kornyezvetdelmi Kft, Hungary

c) Key Management Personnel :

- Mr. Srinivash Singh - Managing Director



SCHEDULES

22. Notes on Accounts (Contd.)

The following transactions were carried out with the related parties in the ordinary course of business.

I) Relating to subsidiaries company referred to in (a) and (b) above.

	Rs in '000 EWB-MBE	Rs in '000 MSEL	Rs in '000 MBEL	Rs in '000 MBIL
Purchase of Materials and components/services	4,412	554,929	-	-
	(-)	(-)	(-)	(-)
Rendering of services	-	48,783	-	-
	(-)	(-)	(-)	(-)
Sale of contracts	-	14,294	-	-
	(-)	(-)	(-)	(-)
Supply of Raw material	-	92,181	-	-
	(-)	(-)	(-)	(-)
Other expenses	-	-	4	4
	(-)	(-)	(-)	(-)
Dividend income	-	-	-	-
	(1,323)	(-)	(-)	(-)
Advance paid for execution of orders	-	48,077	-	-
	(-)	(-)	(-)	(-)
Investment made	-	754,731	-	-
	(-)	(-)	(-)	(-)
Share capital subscribed	-	-	994	994
	(-)	(-)	(-)	(-)
Receivable on account of transfer of Product Division	-	820,000	-	-
	(-)	(-)	(-)	(-)
Outstanding balance of advance recoverable	-	95,693	100	100
	(-)	(-)	(-)	(-)
Outstanding payable for purchase of components	-	238,800	-	-
	(-)	(-)	(-)	(-)
II) Relating to persons referred to in (c) above				
Remuneration Paid				14,608 (11,551)
Dividend Paid				2.9 (0.9)

Figures in bracket are for the year ended 31st March 2008.

SCHEDULES

22. Notes on Accounts (Contd.)

	As at 31st March, 2009 Rs. in '000	As at 31st March, 2008 Rs. in '000
26. Earnings per Share		
Net profit attributable to equity shareholders		
Profit after tax	341,169	224,000
Net profit available for basic earnings per share	<u>341,169</u>	<u>224,000</u>
Net profit attributable to equity shareholders		
Net profit available for basic earnings per share	341,169	224,000
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>3,41,169</u>	<u>221,957</u>
No. of weighted average equity shares		
Basic	31,074,037	27,655,233
Effect of dilutive equity shares on account of:		
Foreign Currency Convertible Bonds and Convertible warrants	14,972	1,867,802
Diluted	<u>31,089,009</u>	<u>29,523,035</u>
Nominal value of equity share (Rs.)	10.00	10.00
Earnings per share (Rs.)		
Basic	10.98	8.10
Diluted	10.98	7.52

27.	Currency pair	As at 31st March, 2009		As at 31st March, 2008	
		Buy (‘000)	Sell (‘000)	Buy (‘000)	Sell (‘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	3,344	–	840	–
– Payables	EUR/INR	42	–	–	–



SCHEDULES

22. Notes on Accounts (Contd.)

	Currency pair	As at		As at	
		31st March, 2009		31st March, 2008	
		Buy ('000)	Sell ('000)	Buy ('000)	Sell ('000)
(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
	EUR/INR	-	-	-	1,736
	AUD/INR	-	-	-	15
- Payables	USD/INR	769	-	86	-
	EUR/INR	3160	-	15	-
	JPY/INR	1064	-	-	-
- Loans	USD/INR	-	-	7,587	-

28. Stores and Spare parts consumed debited to various heads amount to Rs.Nil (2007-08 Rs.1,47,53,175) .

29. Previous year's figures are not comparable with that of the current year as the current years figures do not include the result of the operations of the Products Division of the Company. Previous years figures have been regrouped and/or rearranged wherever necessary.

Kolkata, 7th September, 2009

Deepak Khaitan - *Chairman*
Srinivash Singh - *Managing Director*
Prabir Ghosh - *Chief Financial Officer*
D. Chatterjee - *Company Secretary*

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

	For the year ended 31st March, 2009		For the year ended 31st March, 2008	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
A. Cash Flow from Operating Activities:				
Net Profit Before Tax		513,676		323,049
Adjustments for :				
1. Depreciation	24,108		22,535	
2. Interest Charged	164,751		86,470	
3. Interest Income	(3,717)		(12,806)	
4. Dividend Income	(11)		(1,334)	
5. Loss/(Profit) on Sale of Fixed Assets (Net)	271		140	
6. Loss/(Profit) on Sale of Investment (Net)	(5,575)		(2,504)	
7. Bad Debts written off	–		1,318	
8. Advance written off	18,138			
9. Provision for bad and doubtful debts	–		934	
10. Liabilities no longer required written back	(143)		(11,176)	
11. Provision for employee benefits (Net)	6,212		4,057	
12. Fixed Assets written off	–		1,261	
13. Profit on transfer of Product Division	(230,719)			
14. Adjustment for Exchange Loss on Conversion of FCCB	16,470			
15. Unrealised (gain)/ loss on exchange (Net)	4,201	(6,014)	(10,898)	77,997
Operating Profit Before Working Capital Changes		507,662		401,046
Adjustments for :				
1. Trade & Other Receivables	(3,147,914)		(1,487,038)	
2. Inventories	(13,460)		(67,899)	
3. Trade Payables	2,315,391	(845,983)	1,926,961	372,024
Cash Generated from Operations		(338,321)		773,070
1. Direct Taxes Paid (net of refund received)	(91,026)		(42,085)	
		(91,026)		(42,085)
Net Cash from/(used in) Operating Activities		(429,347)		730,985
B. Cash Flow from Investing Activities :				
Purchase of Fixed Assets	(253,083)		(288,027)	
Sale of Fixed Assets	987		404	
Interest Received	3717		16,716	
Dividend Received	11		1,334	
Purchase of Investments in subsidiary	(756,719)		–	
Purchase of Investment of others	(97,281)		(138,975)	
Sale of Investments	228,950	(873,418)	40,507	(368,041)
Net Cash used in Investing Activities		(873,418)		(368,041)



	For the year ended 31st March, 2009		For the year ended 31st March, 2008	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
C. Cash Flow from Financing Activities :				
Interest Paid	(161,351)		(91,962)	
Proceeds from share warrants application money	–		188,876	
Expenses on issue of Share Capital	–		(259)	
Proceeds from Long Term Borrowings	545,952		17,614	
Repayment of Long Term Borrowings			(97,723)	
Proceeds from Other Borrowings	628,302			
Repayment of Other Borrowings			(196,412)	
Dividend paid (including tax thereon)	(36,988)	975,915	(31,340)	(211,206)
Net Cash from/(used in) Financing Activities		975,915		(211,206)
Net Increase/(Decrease) in Cash and Cash Equivalents		(326,850)		151,738
Cash & Cash Equivalents (Opening Balance)		705,012		553,274
Less: Transfer to MSEL		(99,721)		
Cash & Cash Equivalents (Closing Balance)		278,440		705,012

Notes to the Cash Flow Statement for the year ended 31st March 2009

1. Cash & Cash Equivalents :

Cash & Cheques in hand	55,383	28,345
Remittance in Transit	13,045	4,550
With Scheduled Banks:		
On Current Account	206,360	643,957
On Deposit Account	3,652	28,160
	<u>278,440</u>	<u>705,012</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.
- The transfer of the assets and liabilities of the Products Division to MSEL and the resultant investment in shares as referred to in Note 3 on Schedule 22, being a non cash transaction has not been considered in the statement above
- Cash and Cash Equivalents include Rs. Nil (2007-08 Rs.69,82,492) 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.

Partha Mitra
Partner
Membership No. 50553
For and on behalf of

Lovelock & Lewes
Chartered Accountants
Kolkata, 7th September, 2009

Deepak Khaitan - Chairman
Srinivash Singh - Managing Director
Prabir Ghosh - Chief Financial Officer
D. Chatterjee - Company Secretary

STATEMENT REGARDING SUBSIDIARY COMPANIES

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

1. The interest of McNally Bharat Engineering Company Limited in its Subsidiary Companies at the close of its financial year 31st March 2009 is stated below :

Name of the Subsidiary Company	Holding Company's interest in the Subsidiary Company
a) McNally Sayaji Engineering Ltd (formerly Sayaji Iron and Engineering Co Ltd)	34,55,529 Equity Shares of Rs.10 each fully paid up issued by the Subsidiary Company and 34,55,529 Equity Shares of Rs.10 each fully paid up to be issued by the said Subsidiary Company
b) EWB-MBE International Kornyezetvedelmi Kft	100% shares amounting to FLORINT 9,900,000 Kornyezetvedelmi Kft
c) EWB Kornyezetvedelmi Kft	99% subsidiary of EWB-MBE International Korn. Kft
d) McNally Bharat Infrastructure Ltd	99400 Shares
e) McNally Bharat Equipments Ltd	99400 Shares

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

	Profit/Loss for the Financial Year ended 31.3.2009	Profit/Loss for the Previous Year since they became Subsidiary
a) McNally Sayaji Engineering Ltd (formerly Sayaji Iron and Eng Co Ltd)	Rs. 1945.73 Lacs	Rs. 554.75 Lacs
b) EWB-MBE International Kornyezetvedelmi Kft	HUFLOINT '000 (-) 267	FLORINT '000 106
c) EWB Kornyezetvedelmi Kft	HUFLOINT '000 39221	8474
d) McNally Bharat Infrastructure Ltd	–	–
e) McNally Bharat Equipments Ltd	–	–

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

	Profit/Loss for the Financial Year ended 31.3.2009	Profit/Loss for the Previous Year since they became Subsidiary
a) McNally Sayaji Engineering Ltd (formerly Sayaji Iron and Eng Co Ltd)	–	–
b) EWB-MBE International Kornyezetvedelmi Kft	–	–
c) EWB Kornyezetvedelmi Kft	–	–
d) McNally Bharat Infrastructure Ltd	–	–
e) McNally Bharat Equipments Ltd	–	–

Deepak Khaitan - Chairman
Srinivash Singh - Managing Director
Prabir Ghosh - Chief Financial Officer
D. Chatterjee - Company Secretary

Kolkata, 7th September, 2009



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No. : U45202WB1961PLC025181 State Code 21

Balance Sheet Date 31st March, 2009

II. CAPITAL RAISED DURING THE YEAR

(Amounts in Rs. Thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	24.067

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(Amount in Rs. Thousands)

Total Liabilities	3,470,309	Total Assets	3,470,309
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SOURCES OF FUNDS

Paid-up Capital	310,938	Reserves & Surplus	1,649,114
Secured Loans	1,508,953	Unsecured Loans	1304

APPLICATION OF FUNDS

Net Fixed Assets	469,226	Investments	773,552
Net Current Assets	2,227,531	Miscellaneous	
Accumulated Losses	Nil	Expenditure	Nil

IV. PERFORMANCE OF COMPANY

(Amount in Rs. Thousands)

Turnover	9,965,080	Total Expenditure	9,451,404
Profit before Tax	513,676	Profit after Tax	341,169
Earnings per share in Rs.	10.98	Dividend Rate %	12.50

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	-	<i>Chairman</i>
Srinivash Singh	-	<i>Managing Director</i>
Prabir Ghosh	-	<i>Chief Financial Officer</i>
D. Chatterjee	-	<i>Company Secretary</i>

Kolkata, 7th September, 2009

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Directors' Report for the year ended 31st March, 2009.

ACQUISITION OF PRODUCTS DIVISION OF MCNALLY BHARAT ENGINEERING COMPANY LIMITED (MBECL)

During the year under review your Company pursuant to a Scheme of Arrangement for reconstruction entered into with MBECL whereby and where under the Products Division of MBECL engaged in the business of manufacture and/or procuring equipment for various engineering and infrastructure projects and having its units at Kumardhubi in the State of Jharkhand and Asansol in the State of West Bengal and Bangalore in the State of Karnataka has been transferred to the Company with effect from the appointed date that is 1st April 2008. The said Scheme is expected to strengthen the position of the Company and should have beneficial results for the shareholders, employees and all concerned.

Pursuant to the said Scheme of Arrangement, the Company allotted to MBECL on 7th September, 2009, 34,55,529 equity shares of Rs. 10/- each credited as fully paid up in the Company as consideration for transfer of the aforementioned Products Division.

After such allotment the paid up share capital of the Company stand increased to Rs.73559290 divided into 7355929 equity shares of Rs. 10 each.

FINANCIAL HIGHLIGHTS

The Financial Results of the Company for the year ended 31st March, 2009 are summarized below :

(Rupees in lacs)

	2008-09	2007-08
Sales	19952.40	6023.99
Other Income	434.46	27.41
Total Income	20386.86	6051.40
Interest	343.48	37.49
Depreciation	702.91	145.29
Profit Before Tax	3086.08	943.95
Provision for Tax	1140.35	389.19
Profit After Tax	1945.73	554.76

As mentioned herein above the Products Division of MBECL was transferred to the Company with retrospective effect from 01.04.2008 and as such the figures for the year under review are not comparable with the figures in the previous year. The performance of the Company during the year 2008-09 includes the activities of the said Products Division.

The operations of the Company during the year under review have resulted in the profit after tax (PAT) of Rs.1,945.73 Lacs as compared to Rs. 554.76 lacs in the previous year. The performance of the current year is encouraging.

DIVIDEND

Your Directors are pleased to recommend for your approval a dividend of 15% i.e. Rs.1.50 per share (including the shares

allotted pursuant to the Scheme of Arrangement of MBECL with the Company) for the financial year ended 31st March, 2009.

CHANGE IN MANAGEMENT

McNally Bharat Engineering Company Limited (MBECL), a member of Williamson Magor Group, has acquired during the year under review 87.32% shareholding from the former promoters of the Company as well as from public in an Open Offer made for the purpose under the provisions of Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeover) Regulations, 1997. By virtue of aforesaid acquisition of shares your Company has become Subsidiary of MBECL with effect from 15th September 2008.

CHANGE OF NAME OF THE COMPANY & REGISTERED OFFICE

During the year the name of the Company was changed from Sayaji Iron & Engg. Co. Ltd. to "McNally Sayaji Engineering Limited".

The Registered Office of the Company was also shifted from the State of Gujarat to the State of West Bengal. Currently the Registered Office is situated at 4 Mangoe Lane, Kolkata – 700 001, West Bengal.

EXPANSION

Your Company has acquired 162,155.69 sq. mtrs of industrial land in the Savli GIDC, Vadodara District to implement its expansion plan in a phased manner.

Under the expansion programme your Company is planning to include new products like, Material Handling Equipments for Ports, Mines & Power Plants such as Stacker cum Reclaimers, Wagon Tippers, Plough Feeders, Apron Conveyors, EOT Cranes, Port Cranes, Mobile Crushing & Screening Plants for the mining industry, Equipment for construction & Road building industry, Equipments for Hydrocarbon, Nuclear Power & Chemical Sector such as pressure vessels, heat exchangers, cryogenic equipment, and to set up Foundry and forging facilities.

The said plan includes setting up of a foundry with capacity of 3000 TPA. The present foundry is unable to meet all requirement of casting, therefore at present your Company is outsourcing its casting requirement. With the increased capacity of the Company's own foundry it is expected to make a substantial contribution towards quality of products and improvement in margin.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

The information pursuant to Section 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, is given in the Annexure hereto and form part to this report.

PARTICULARS OF EMPLOYEES

Pursuant to the provisions of Section 217(1)(e) 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.



CORPORATE GOVERNANCE

Pursuant to revised clause 49 of the Listing Agreement with the Stock Exchanges, separate section titled as "Corporate Governance" is attached to this Report.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion & Analysis as required under the Listing Agreements with the Stock Exchanges is enclosed to this report. Certain statements in this section may be forward-looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of the future performance and outlook.

LISTING OF EQUITY SHARES

The Company's shares continue to be listed on The Vadodara Stock Exchange Limited, the Ahmedabad Stock Exchange Limited and the Delhi Stock Exchange Association Limited. The Company is regular in paying Listing fees to each of the Stock Exchanges.

FIXED DEPOSITS

The Company has not accepted any fixed deposits during the year under review. There were no unpaid deposits at the end of the year.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. that in the preparation of the annual accounts for the financial year ended 31st March, 2009, the applicable accounting standards have been followed;
2. that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 and of the profit or loss of the company for the year under review;
3. that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. that the annual accounts have been prepared on a 'going concern' basis.

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.

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

Mr. Anil C. Patel, Mr. Nikhil V. Patel, Mr. Kunal A. Patel, Mr. Ashwin P. Hathi, Mr. Atul G. Shroff and Mr. Mahendra G. Vyas resigned from the Board of Directors of the Company with effect from close of business on 15.09.2008. The Board wishes to place on record its appreciation for the valuable contributions made by Mr. Anil C. Patel, Mr. Nikhil V. Patel, Mr. Kunal A. Patel, Mr. Ashwin P. Hathi, Mr. Atul G. Shroff and Mr. Mahendra G. Vyas during their tenure as Directors.

Mr. Deepak Khaitan, Mr. Srinivash Singh, Mr. Shambhu Prasad, Mr. Chandrakant Pasari, Mr. Nilotpal Roy and Mr. Heath Brian Zarin were inducted in the Board as new Directors.

Shri Sanjay S. Patel, Director of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment.

Mr. Deepak Khaitan, Mr. Srinivash Singh, Mr. Shambhu Prasad, Mr. Chandrakant Pasari, Mr. Nilotpal Roy and Mr. Heath Brian Zarin were appointed as additional directors and hold office till this Annual General Meeting and they have offered themselves for appointment as Directors.

AUDITORS

M/s. V. J. Amin & Co., Chartered Accountants, retires at the forthcoming Annual General Meeting. M/s. V. J. Amin & Co. have communicated that they are not willing to be re-appointed as Auditors of the Company.

The Company has received a confirmation from M/s Lovelock & Lewes, Chartered Accountants, about their willingness for their appointment as Auditors of the Company for the year 2009-10 and as required under Section 224 of the Companies Act, 1956, the Company has received from them a confirmation to the effect that their appointment, if made, would be in conformity with the limits prescribed in Section 224 of the Companies Act, 1956.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their sincere appreciation of the support received from the Company's Bankers, Government Authorities, Valuable Customers, Vendors and Shareholders.

Your Directors also wish to place on record their deep sense of appreciation for the continued services of the Executives, Staff and Workers of the Company.

For and on behalf of the Board

Place : Kolkata
Date : 07.09.2009

Shambhu Prasad
Managing Director

ANNEXURE TO THE DIRECTORS REPORT

INFORMATION UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2009.

A. CONSERVATION OF ENERGY

Energy conservation measures taken in the past years and the consumption of energy are monitored on continual basis.

B. TECHNOLOGY ABSORPTION

(a) RESEARCH AND DEVELOPMENT (R&D)

- During the year under review, the company continued efforts on extensive R & D to automate the existing system, to develop new process, new application of existing products and to identify new product mix thereby to reduce cost of production. The R & D activities also aimed to improve operating efficiency to develop new value added products and explore new avenues for indigenization and import substitution. The R&D activities were also focused towards usage of cost effective raw materials, optimizing process improvement with a view to reduce the production cost, wastages and enhance the product quality.

A large number of trials were conducted for customers in the R&D equipments like Roll Crushers, Hammer Mill, Impectors and Tube Mill. Substantial orders were received during the year for all of the above equipments, which enhanced the turnover to a great extent.

2. Expenditure on R&D	Rs.
Capital	NIL
Recurring	4,61,977
Total	4,61,977
Total R & D Expenditure as % to total turnover	0.06%

(b) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- The Company has developed the manufacture of alloy castings and manganese steel castings in our captive foundry which has reduced costs and improved the profitability.
- Bigger sizes of Hammer Mills, Roll Crushers were designed and manufactured during the year.
- Efforts are on in improving efficiency and cost reduction in the existing range of machinery.

C. FOREIGN EXCHANGE EARNED AND USED

a) Foreign Exchange earned	75725000
b) CIF Value of imports	56793000
c) Expenditure in Foreign Currency:	
– Remittance of Dividend	10750
– Travelling, Royalty & Technical Know-How, Professional & Consultation fees	3507000

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 ON 31 MARCH, 2009.

Sl.	Name	Designation/ Nature of Duties	Qualifications	Age (years)	Date of Commencement of Employment	Experience (years)	Gross Remu- neration Rs.	Last Employment held & Designation
1*	Mr. Anil C. Patel	Chairman & Managing Director	D.M.E.	69	01.07.1962	47	11,97,866	–
2**	Mr. Nikhil V. Patel	Executive Director	D.M.E.	54	01.06.1977	32	15,46,588	–
3**	Kunal A. Patel	Executive Director	MBA	45	02.12.1995	14	8,45,555	–
4 \$	Mr. Shambhu Prasad	Managing Director	B Sc Engg (Mech)	60	15.09.2008	37	38,66,585	McNally Bharat Engg. Co. Ltd.
5\$	Mr. M. G. Rao	Vice President	B.E. (Mech) M.E. (Welding)	51	01.07.2008	30	21,46,500	GMM Pfaudler Ltd

1. Remuneration comprises of salary, allowances, perquisites, Performance Bonus, leave encashment, Company's contribution to PF and Superannuation Fund.

2. Nature of employment is contractual.

3. All the above Employees receives remuneration exceeding Rs. 200000 per month.

* Ceased to be Managing Director from 03.07.2008.

** Ceased to be Executives Director from 15.09.2008.

\$ Appointed during the year.

**ANNEXURE 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, 2009 are given hereunder divided into 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 Sayaji 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 level of transparency, appropriate compensation schemes and the prevention of conflict of interests.

II Board of Director**(a) Composition of the Board**

The Board of Director comprised six directors at the end of the financial year, consisting of 5 non executive directors who account for more than eighty three percent of the Boards 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 and public enterprises. The composition of the Board is as under:

Name of Director(s)	Category	No. of other companies in which Director/ Chairperson		No. of Board Committee(s) of which he/she is a Member	No. of Board Committee(s) of which he/she is a Chairperson	No of shares held in the Company as at 31.03.2009
		Public	Private			
Mr. Deepak Khaitan *	Promoter - Non-Executive	8 #	-	2	-	-
Mr. Srinivash Singh *	Promoter - Non-Executive	3	-			-
Mr. Shambhu Prasad *	Promoter - Executive	1	-			
Mr. Chandrakant Pasari *	Independent Non-Executive	4	7	-	-	-
Mr. Nilotpal Roy **	Independent Non-Executive	-				
Mr. Sanjay S. Patel	Independent Non-Executive	-	1			-

During the year Mr. Anil. C. Patel, Nikhil V. Patel, Mr. Kunal A. Patel, Mr. Atul G. Shroff, Mr. Ashwin P. Hathi and Mr. Mahendra G. Vyas Directors of the company ceased to be Directors of the Company w.e.f. 15.09.2008.

None of the Director is related to each other in terms of provisions of the 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.

excluding Directorships held in Foreign Companies and Companies registered under Section 25 of the Companies Act, 1956

* Joined with effect from 15 September, 2008.

** Joined with effect from 31 October, 2008.

MEETINGS AND ATTENDANCE

The attendance recorded for each of the Directors at the Board Meetings during the year ended on 31 March 2009 and of the last Annual General Meeting is as under:

(b) Details of Remuneration paid to Non- Executive Directors:

Name of the Director		Sitting Fees Paid during the year Rs.
Mr. Atul G. Shroff	*	3000
Mr. Mahendra G. Vyas	*	15000
Mr. Ashwin P. Hathi	*	15000
Mr. Sanjay S. Patel		18000
Mr. Deepak Khaitan	@	3000
Mr. Srinivash Singh	@	9000
Mr. Chandrakant Pasari	@	6000
Mr. Nilotpal Roy	\$	0

* Ceased as director w.e.f.15.9.2008

@ Joined as Director w.e.f.15.09.2008

\$ Joined as Director w.e.f.31.10.2008

Details of Remuneration paid/payable to Executive Director(s) :

Name of the Director	Salary Rs.	Performance Bonus Rs.	Contribution to Provident Fund Rs.	Contribution to Super Annuation Fund Rs.	Perquisites Rs.	Total Rs.
Mr. Anil C. Patel	348480	250000	41818		557568	1197866
Mr. Nikhil V. Patel	572330	250000	68680		655578	1546588
Mr. Kunal A. Patel	332750	125000	39930		347875	845555
Mr. Shambhu Prasad	810000	810000	97200	121500	2027885	3866585
Total	2063560	1435000	247628	121500	3588906	7456594

1. Service Contract with Anil C. Patel concluded on 03.07.2008 due to resignation.
2. Service Contract with Nikhil V. Patel concluded on 15.09.2008 due to resignation.
3. Service Contract with Kunal A. Patel concluded on 15.09.2008 due to resignation.
4. Service Contract with Shambhu Prasad, Whole Time Director is for three years from 15 September, 2008. Notice period is minimum 3 months. The Whole Time 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. The resolution appointing the Whole Time Director do not provide for payment of severance fees.
5. None of the non-executive directors receives any remuneration apart from the sitting fees for meetings attended by them.

(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 8 Board Meetings were held on 20 May, 2008, 3 July, 2008, 22 July, 2008, 13 September, 2008, 15 September 2008 (Baroda), 15 September 2008 (Kolkata), 19 October, 2008 and 30 January, 2009 .
- (iii) The attendance recorded for each of the Directors at the Board Meetings during the year ended on 31 March 2009 and of the last Annual General Meeting is as under :

Name of the Director(s)	No. of Board Meetings Attended	Attendance at the last AGM
Mr. Anil C. Patel *	3	Yes
Mr. Nikhil V. Patel *	3	No
Mr. Atul G. Shroff *	1	Yes
Mr. Mahendra G. Vyas *	5	Yes
Mr. Ashwin P. Hathi *	5	No
Mr. Kunal A. Patel *	5	Yes
Mr. Sanjay S. Patel	6	Yes
Mr. Deepak Khaitan **	1	No
Mr. Srinivash Singh **	3	No
Mr. Shambhu Prasad **	3	No
Mr. Chandrakant Pasari **	2	No
Mr. Nilotpal Roy ***	0	No

* ceased as director w.e.f.:15.09.2008

** appointed as Director w.e.f.15.09.2008

*** appointed as Director w.e.f.31.10.2008

(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 of Conduct for prevention of insider trading in the shares and securities of the Company, inter alia, prohibits purchase/sale of shares of the Company by employees while in possession of unpublished price sensitive information in relation to the Company.

III Audit Committee

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

Mr. Sanjay Patel	
Mr. Mahendra G. Vyas	*
Mr. Ashwin P. Hathi	*
Mr. Atul G. Shroff	*
Mr. Srinivash Singh	**
Mr. Shambhu Prasad	**
Mr. Chandrakant Parari	**

* ceased w.e.f. 15.09.2008; ** appointed w.e.f. 15.09.2008

All the members of the Audit Committee except Mr. Shambhu Prasad are non-executive Directors. Committee has elected Mr. Srinivash Singh as its Chairman. All the members of the Audit Committee are financially literate and one member is having accounting and related financial management expertise.

The Audit Committee meetings were held on 20 May, 2008, 22 July 2008, 19 October, 2008 and 30 January, 2009. The attendance of each Audit Committee member is as under :

Name of the Director	No. of Meetings Attended
Mr. Mahendra G. Vyas *	2
Mr. Ashwin P. Hathi *	2
Mr. Atul G. Shroff *	1
Mr. Sanjay S. Patel	3
Mr. Srinivash Singh **	2
Mr. Shambhu Prasad **	2
Mr. Chandrakant Pasari **	1

* ceased w.e.f. 15.09.2008

** appointed w.e.f. 15.09.2008

- b) At the invitation of the Company, representatives from the 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 292 A of the Companies Act, 1956.

IV Remuneration Committee

The remuneration committee consists of three non-executive independent Directors:

Mr. Srinivash Singh

Mr. Sanjay S. Patel

Mr. Chandrakant K. Pasari

Broad terms of reference of the Remuneration Committee include recommendation to 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 three times during the year on 20 May 2008, 22 July 2008 and 15 September, 2008. The attendance of each Remuneration Committee is as under:

Name of the Director	No. of Meetings Attended
Mr. Ashwin P. Hathi *	2
Mr. Mahendra G. Vyas *	2
Mr. Nikhil V. Patel *	2
Mr. Sanjay S. Patel	2
Mr. Srinivash Singh **	1
Mr. C. K. Pasari **	1

* ceased w.e.f. 15.09.2008

** appointed w.e.f. 15.09.2008

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 organization and reward merit.

**VI Shareholders'/Investors Grievance Committee**

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

Name of the Director	No. of Meetings Attended
Mr. Ashwin P. Hathi *	2
Mr. Mahendra G. Vyas *	2
Mr. Nikhil V. Patel *	2
Mr. Sanjay S. Patel	2
Mr. Srinivash Singh **	1
Mr. Shambhu Prasad **	1

* ceased w.e.f. 15.09.2008

** appointed w.e.f. 15.09.2008

VII Share Transfer Committee

The Board has formed a Share Transfer Committee consists of the following Directors :

Mr. Sanjay S. Patel
Mr. Srinivash Singh**
Mr. Shambhu Prasad**

The Share Transfer committee of the Company met 20 times during the year 30 April, 2008, 15 May 2008, 15 May, 2008, 30 May 2008, 14 June, 2008, 30 June 2008, 15 July 2008, 31 July, 2008, 14 August, 2008, 1 September, 2008, 15 September 2008, 15 October, 2008, 31 October, 2008, 15 November, 2008, 29 November, 2008, 15 December, 2008, 31 December, 2008, 24 January, 2009, 14 February, 2009, 28 February, 2009, 16 March, 2009. The attendance of each Share Transfer Committee is as under:

Name of the Director	No. of Meetings Attended
Mr. Anil C. Patel *	8
Mr. Ashwin P. Hathi *	11
Mr. Mahendra G. Vyas *	11
Mr. Kunal A. Patel *	11
Mr. Sanjay S. Patel	—
Mr. Srinivash Singh **	9
Mr. Shambhu Prasad **	9

* ceased w.e.f. 15.09.2008

** appointed w.e.f. 15.09.2008

VIII Subsidiary Companies

The Company does not have any subsidiary company, but it has a holding company viz. McNally Bharat Engineering Co. Ltd.

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 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 penalty have been imposed or strictures have been issued by SEBI, Stock Exchanges or any statutory authority on matters related capital markets during the last three years.

3. All accounting Standards mandatorily required have been followed in preparation of financial statements and no deviation has been made in following the same.
4. Risk assessment and its minimization procedures have been laid down by the Company and the same have been informed to board members. These procedures would be periodically reviewed to ensure that executive management controls risks through means of a properly defined framework.
5. Management Discussion and Analysis forms part of the Annual Report to the Shareholders and it includes discussions on matters as required under the provisions of clause 49 of the listing agreement with stock exchanges.
6. There were no material financial and commercial transactions by Senior Management as defined in clause 49 of the listing agreement where they have personal interest that may have a potential conflict with the interest 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 Director.
- (ii) Remuneration Committee :
Details are given under the heading “Remuneration Committee”
- (iii) Shareholders Rights :
Half-yearly declaration of financial performance including summary of the significant events in the last six months are forwarded to the Stock Exchanges and published in News Paper.
- (iv) Audit Qualification :
During the year under review, there was no audit qualification in the Company’s Financial Statements. The Company is maintaining best practices to ensure a regime of unqualified financial statement.
- (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 programmes 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 Annual General Meetings held in last three years as under:

Annual General Meetings:

AGM	Day	Date	Time	Venue
62nd	Thursday	10.08.2006	3:30 P.M.	Registered Office at Chhani Road, Baroda
63rd	Tuesday	10.07.2007	3:30 P.M.	Registered Office at Chhani Road, Baroda
64th	Thursday	14.08.2008	3.30 P.M.	Registered Office at Chhani Road, Baroda



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

Yes, details of which are given hereunder:

Date	Matter
10.08.2006	Revision of remuneration of Mr. A.C. Patel the Managing Director
10.08.2006	Revision of remuneration of Mr. N. V. Patel the Whole Time Director
10.08.2006	Revision of remuneration of Mr. K. A. Patel the Whole Time Director
10.07.2007	Reappointment of Mr. N. V. Patel the Whole Time Director
14.08.2008	Reappointment of Mr. A.C. Patel the Managing Director

- (c) During the year ended 31 March, 2009 Resolution for alteration of Object Clause of the Memorandum of Association of the Company was passed through Postal Ballot on 14.08.2008.
- (d) During the year ended 31 March, 2009 Special Resolutions for Change in Registered Office from the State of Gujarat to West Bengal and Change in Name Clause of Memorandum of Association of the Company were passed at the EGM held on 19.10.2008. Also Resolution for approving the Scheme of Arrangement for reconstruction of the Company and its Holding Company , viz. McNally Bharat Engineering Company Limited (MBECL) were passed by the Equity Shareholders, Secured Creditors and the Unsecured Creditors of the Company at the court convened meeting held on 06.02.2009.

XIII Means of Communications

(a)	Quarterly results in which newspaper normally published in	Economic Times, Indian Express, Business Standard, Divya Bhaskar, & Vadodara Samachar.
(b)	Half Yearly report sent to each shareholder	NO
(c)	Any web site, where displayed	NO

XIV General Shareholder Information

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

	Seeking appointment	Seeking appointment	Seeking appointment
Name of Director	Mr. Deepak Khaitan	Mr. Srinivash Singh	Mr. Shambhu Prasad
Date of Appointment	15.09.2008	15.09.2008	15.09.2008
Brief Resume and expertise in specific functional area	Given in the notice of AGM	Given in the notice of AGM	Given in the notice of AGM
List of other directorship held	Do	Do	Do
Chairman/ Member of the Companies 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	Nil	Nil

	Seeking appointment	Seeking appointment	Seeking appointment
Name of Director	Mr. Chandrakant Pasari	Mr. Nilotpal Roy	Mr. Sanjay S. Patel
Date of Appointment	15.09.2008	31.10.2008	29.05.2004
Brief Resume and expertise in specific functional area	Given in the notice of AGM	Given in the notice of AGM	Given in the notice of AGM
List of other directorship held	Do	Do	Do
Chairman/ Member of the Companies 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	Nil	Nil

(b) Annual General Meeting to be held:

Day, Date, Time and Venue

Day : Friday
 Date : 06/11/2009
 Time : 11 A.M.
 Venue : 4 Mangoe Lane, 7th Floor, Kolkata 700 001

(c) Financial Year : 2009-2010

First Quarterly Results : Before end of July 2009
 Second Quarterly Results : Before end of October 2009
 Third Quarterly Results : Before end of January 2010
 Audited yearly results for the year ended 31 March, 2010 : Before end of June 2010

(d) Period of Book Closure : 02.11.2009 to 06.11.2009

(e) Dividend Payment date : After 06/11/2009

(f) Listing on Stock Exchanges:

The equity shares of the Company are listed at The Vadodara Stock Exchange Ltd, Fortune Towers, Sayajigunj, VADODARA – 390 005, The Ahmedabad Stock Exchange Ltd, Kamdhenu Complex, Opp. Sahjanand College, Panjara Pole, Ahmedabad – 380015 and The Delhi Stock Exchange Ltd, DSE House, 3/1, Asaf Ali Road, NEW DELHI – 110 002. and listing fees has been paid to all these stock exchange for the year 2009-2010.

Stock Codes :

International Securities Identification : INE105E01011
 Number (ISIN) for the Company's shares in dematerialized form

(g) Market Price Data: The trading in company's shares at all these Stock Exchanges was NIL during the year 2008-2009 and, hence, no share price data is provided. However the shares of the company were acquired by McNally Bharat Engineering Co. Limited at offer price of Rs.221.60 per share.

(h) Share Transfer Agents:

The Company has appointed M/s. Maheshwari Datamatics Pvt. Ltd (previous transfer agent was M/s. MCS Ltd., Vadodara) as its Registrar and Share Transfer Agent for processing transfers, sub-division, consolidation, splitting of securities, etc., for both physical as well as Demat form. To facilitate multi-depository transfers and holdings, your Company has made arrangement for dematerialisation of its shares with the National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL). w.e.f. 01.04.2003. Any query relating to dematerialization may be addressed to M/s. Maheshwari Datamatics Pvt. Ltd., at their address given in the address for correspondence section below."

- (i) Share Transfer System: company's shares can be converted into 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 Agent . 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 Agent beyond a period of 30 days. Investor/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 31 March, 2009.

Sr. No. of Equity No. Shares held	No. of Shareholders	% of total shareholders	No. of Shares held	% of Total Shares
1 01 to 500	995	88.3659	255375	6.5474
2 501 to 1000	86	7.6377	77900	1.9972
3 1001 to 2000	18	1.5986	29000	0.7435
4 2001 to 3000	6	0.5329	13900	0.3564
5 3001 to 4000	6	0.5329	22600	0.5794
6 4001 to 5000	5	0.4440	24300	0.6230
7 5001 to 10000	5	0.4440	33100	0.8486
8 10001 and above	5	0.4440	3444225	88.3044
Total	1126	100	3900400	100

- (k) Shareholding Pattern as on 31 March, 2009:

Category	No. of Holders	No. of Shares
1 Resident Indian	1112	414775
2 Domestic Companies	5	19800
3 NRI	8	60000
4 Foreign Companies	-	-
5 Mutual Funds	-	-
6 Financial Institutions	-	-
7 Bank	-	-
8 Promoters	1	3405825
9 Directors and Relatives	-	-
10 FII	-	-
11 Insurance Companies	-	-
Total	1126	3900400

- (l) Dematerialization of Shares :

As on 31 March 2009, 2659150 Shares of the Company's total shares representing 68.18% shares were held in dematerialized form and the balance 31.82% representing 1214250 shares were in paper form.

- (m) Outstanding GDRs/ADRs/Warrants or any Convertible instruments: There are no outstanding GDRs/ADRs/Warrants or any Convertible instruments

(n) Company's Factories are located at following places :

- (i) Vadodara, Gujarat State
- (ii) Kumardhubi in the State of Jharkhand.
- (iii) Asansol in the State of West Bengal.
- (iv) Bangalore in the State of Karnataka.

(o) Address for Correspondance :

Companys registered office is situated at 4 Mangoe Lane, 7th floor, Kolkata -700001

Shareholders Correspondence should be addressed to :

McNally Sayaji Engineering Limited

4 Mangoe Lane, 7th floor, Kolkata - 700001

Registrar and Share Transfer Agent :

M/s. Maheshwari Datamatics Pvt. Ltd

6, Mangoe Lane, 2nd Floor, Kolkata -700001

Telephone : (033) 22435029 / 5809 ,22482248,

Fax : (033) 22484787, Email : mdpl@cal.vsnl.net.in

Contact Person : Mr. S. Rajagopal, Vice President

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, 2009.

For McNally Sayaji Engineering Limited

Shambhu Prasad
Managing Director

Kolkata, 7th September 2009.



AUDITORS CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE

To the Members of McNally Sayaji Engineering Limited

We have examined the compliance of the conditions of Corporate Governance by McNally Sayaji Engineering Limited for the year ended on 31st March, 2009 as stipulated in clause 49 of the Listing Agreement 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 Certificate of Corporate Governance (as stipulated in clause 49 of the Listing Agreement) issued by Institute of Chartered Accountants of India and was limited to the 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 statement of the Company.

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

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 : Baroda
Date: 11/09/2009

For **V. J. Amin & Co.**
Chartered Accountants
Dharmsinh Kesharani
Partner
Membership No. 47553

MANAGEMENT DISCUSSION & ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

There is substantial scope for the growth of the infrastructure sector viz., Roads, Steel, Coal, Cement, Power etc. As these segments including crude, petroleum, petroleum refinery products, coal, electricity will play important role towards revival from the recession.

OPPORTUNITIES AND OUTLOOK

The priority of UPA Government on infrastructure spending will offer great opportunity for demand of our products across various industries we are catering to. Therefore the growth in Roads, Steel, Coal, Cement, Power sectors will boost growth of the engineering companies. The continuing investments in these sectors will support demand of our products.

The global recession and slowdown in India as well as the rise in input prices may act as major threat.

SEGMENT – WISE OR PRODUCT-WISE PERFORMANCE

Company is operating in single segment, therefore segment reporting is not required.

OUTLOOK

Inspite of global slowdown and recessionary trend in Asian Countries, we are well positioned in the industry and the adverse impact is likely to be minimal. Also positive approach from the government on revival of the economy will support the industry. The company is also looking for Capex of Rs.275 crores for expansion in a phased manner. This covers to include new products like, Material Handling equipments for ports, Mines & Power Plants such as Stacker cum Reclaimers, Wagon Tippers, Plough Feeders, Apron Conveyors, EOT Cranes, Port Cranes, Mobile Crushing & Screening Plants for the mining industry, Equipment for construction & Road building industry, Equipments for Hydrocarbon, Nuclear Power & Chemical Sector such as pressure vessels, heat exchangers, cryogenic equipment, and to set up Foundry and forging facilities, around Vadodara District.

RISKS AND CONCERNS

Slowdown in Asia and recession in US and Europe brought lot of pressure on Indian Economy which constitutes major external risk to the Company. However the new government is expected to take positive policy decisions to stimulate Indian Economy

In order to meet the challenges of marketing conditions, the Company continues to maintain and further enhance the quality of its products, add the vertical product lines and to increase the productivity and quality of the product through systematic planning and perfect implementation.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Your Company has an adequate internal control system and are routinely tested and certified by our statutory as well as internal auditors.

Moreover, your Company continuously upgrades these systems in line with best practices.

The Company is in the process of introducing latest ERP system in place of the existing one.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Reserves of the Company reached to Rs.11560.12 lacs as at 31st March, 2009. The gross block of fixed assets was Rs. 15192.75 lacs. The Net profit stood at Rs.1945.73 lacs as against previous year of Rs. 554.76 lacs.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES/INDUSTRIAL RELATIONS

The industrial atmosphere at the works continued to be congenial and harmonious during the year. The Company has taken several welfare measures in the overall interest of its employees.

The Personnel Department of the company is suitably staffed to take care of its employees and motivate them. The management of your Company encourages its employees to attend continuing education seminars and workshops to enhance their quality and capabilities in the area they perform.

QUALITY

The Company is conferred ISO-9001 & 9001(2000) recognition. The Company is committed to produce quality products and services to enhance customer satisfaction through the effective application of our Quality Management System, including process for continual improvement.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. The actual results could differ materially from those expressed or implied due to several factors being attributed including Company's operations, international and domestic economic changes affecting demand/supply positions, finished goods prices, availability of raw material, Govt. policies, economic development within India and the overseas market within which the Company has business relations and various other incidental factors.



AUDITORS' REPORT

To
The Shareholders of **McNally Sayaji Engineering Ltd.**
Vadodara

We have audited the attached Balance Sheet of McNally Sayaji Engineering Ltd., Baroda as at 31st March, 2009 and the Profit & Loss Account annexed thereto and also Cash Flow Statement of the company for the year ended on that date. 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. In the said Audit Report and annexed Accounts, the Audit Report and Accounts Pertaining to the Product Divisions, audited by other auditors have been incorporated.

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 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.

1. As required by Companies (Auditor's Report) Order, 2003, (as amended) issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure hereto a statement on the matters specified in Paragraphs 4 and 5 of the said order.
2. Further to our comments in the annexure referred to in paragraph 1 above, we report that :
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion proper books of accounts as required by law have been kept by the Company so far as appears from our examination of such books.
 - (c) The Balance Sheet and 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 Profit & Loss Account and Balance Sheet comply with the accounting standards referred in sub-section (3)(c) of Section 211 of the Companies Act, 1956.
 - (e) Directors of the Company do not, prima facie, have any disqualification as referred to in clause (g) of sub section (1) of section 274 of Companies Act, 1956 as on 31.03.2009, which is based on representation received from them.
 - (f) In our opinion and to the best of our information and according to the explanation given to us, the said Balance Sheet and Profit and Loss Account read together with Notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (i) In so far as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009 and
 - (ii) In so far as it relates to Profit and Loss Account, of the PROFIT for the year ended on that date.
 - (iii) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

Place : Baroda
Date : 7th September, 2009

For V. J. Amin & Co.
Chartered Accountants
(Dharamsinh T. Kesharani)
Partner
Membership No. 047553

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 of our report of even date for the year ended 31st March, 2009

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) As per the information and explanation given to us, fixed assets, according to the practice of the Company are being physically verified by the management at reasonable intervals, in a phased programme. We are informed that no material discrepancies were noticed by the management on such verification. In our opinion, the frequency of verification is reasonable, having regard to the size of the Company and nature of its business.
(c) During the year the Company has not disposed off any substantial part of fixed assets and therefore, it has not affected the going concern status.
2. (a) As per the information furnished, the inventories, except third parties, have been physically verified at reasonable intervals during the year by the management. In our opinion, the frequency of verification is reasonable.
(b) In our opinion and according to the information and explanations given to us, 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 inventory records, in our opinion the Company is maintaining proper records of inventory except for inventory amounting to Rs. 783,65,076 lying at its Asansol facoty. In our opinion, discrepancies noticed on physical verification of stocks were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
3. As per information furnished, the Company has not granted/taken any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clause 4(iii)(b), (c), (d), (f) (g) of the order are not applicable to the Company for the current year.
4. In our opinion and according to the information and explanations given to us, having regard to explanation that certain items purchased are of specific nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
5. (a) According to the information and explanation provided by the management, we are of the opinion that the contracts or arrangements which need to be entered into the register maintained under section 301 of the Companies act, 1956, have been entered in the register.
(b) According to the information and explanations given to us, the contracts or arrangements referred to under sub-Clause (a) above, which exceed Rs. 500,000/- in each case have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has complied with the provisions of the Sections 58A and 58AA or any other relevant provision of the Act, and rules framed there under, and also the directives issued by the RBI. We are informed that no order has been passed by the Company Law Board or National Company Law Tribunal or RBI or any Court or any other Tribunal in this regard.
7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
8. Maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
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, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable, with the appropriate authorities except dues in respect of work contract tax. The extent of the arrears of statutory dues outstanding as at 31st March 2009, for a



period of more than six months from the date they became payable, in respect of works contract tax deducted but not deposited is as follows :

Name of the Statute	Nature of Dues	Amount (Rs.)	Period to which the the Amount relates	Due Date	Date of Payment
West Bengal VAT Act 2003	Works Contract Tax	48,234	2008-09	21 April 2008	
West Bengal VAT Act 2003	- do -	87,006	2008-09	21 July 2008	
West Bengal VAT Act 2003	- do -	73,197	2008-09	21 September 2008	
	TOTAL	2,08,437			

- (b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as at 31st March 2009 which have not been deposited on account of a dispute, are as follows :

Name of the Statute	Nature of Dues	Amount (Rs.)	Period to which the the Amount relates	Forum where the Dispute is pending
Central Excise Act, 1944	Excise Duty and Penal Interest thereon	670,220	1990-91	CEGAT - Kolkata
Central Excise Act, 1944	- do -	2,119,191	1994-95 & 95-96	Commissioner (Appeal) - Patna
Central Excise Act, 1944	- do -	2,831,749	1996-97	Asst. Commissioner - Dhanbad
Central Excise Act, 1944	- do -	674,059	1993-94	Asst. Commissioner - Dhanbad
Central Excise Act, 1944	- do -	1,879,868	1994-95	Asst. Commissioner - Dhanbad
Central Excise Act, 1944	- do -	355,691	1992-93	Asst. Commissioner - Dhanbad
Central Excise Act, 1944	- do -	8,000	2003-04	Commissioner (Appeal) - Ranchi
Central Excise Act, 1944	Service Tax and Panel Interest thereon	1,021,546	2004-05	Commissioner (Appeal) - Ranchi
	SUB-TOTAL	9,560,324		

Name of the Statute	Nature of Dues	Amount (Rs.)	Period to which the the Amount relates	Forum where the Dispute is pending
Bihar Finance Act, 1981	Sales Tax	644,052	1991-92	Dy. Commissioner of Commercial Taxes - Chirkunda Circle
Bihar Finance Act, 1981	Sales Tax	547,379	1992-93	Dy. Commissioner of Commercial Taxes - Chirkunda Circle
Central Sales Tax Act, 1956	Sales Tax	388,271	2002-03	JCCT Appeal - Bangalore Division
Karnataka Sales Tax Act	Sales Tax	419,045	2003-04	JCCT Appeal - Bangalore Division
Karnataka Tax on Entry of Goods Act, 1979	Entry Tax	63,139	2004-05	JCCT Appeal - Bangalore Division
	SUB-TOTAL	2,061,886		

10. The Company has not accumulated losses as at 31st March, 2009. The Company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. Based on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
12. Based on our examination of the records and the information and explanation given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. Clause (xiii) of the order is not applicable as the Company is not a chit fund company or nidhi /mutual benefit fund/society.
14. Clause (xiv) of the Order is not applicable as the Company is not dealing or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from Bank or Financial Institution.
16. According to the information and explanation given to us, on an overall basis, the term loan have been applied for the purpose for which they were obtained.
17. On the basis of the information and explanation given to us and on an over all examination of the Balance Sheet of the Company in our opinion there are no funds raised on a short-term basis which have been used for the long-term investment.
18. The company has not made any preferential allotment of shares during the year.
19. Clause (xix) of the Order regarding creation of securities is not applicable.
20. The Company has not raised any money by public issues during the year covered by our report.
21. As per the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

Place : Baroda
Date : 7th September, 2009

For V. J. Amin & Co.
Chartered Accountants
(Dharamsinh T. Kesharani)
Partner
Membership No. 047553

**BALANCE SHEET AS AT 31ST MARCH, 2009**

	Schedule No	As at 31st March, 2009 Rs. in '000	As at 31st March, 2008 Rs. in '000
I SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Capital	1	73,559	39,004
b) Reserve and Surplus	2	1,156,012	188,902
2. Loan Funds			
a) Secured Loans	3	621,367	2,393
b) Unsecured Loans	4	901	16,502
3. Deferred Tax Liabilities	14	58,990	31,296
Total		1,910,829	278,097
I APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block		1,519,275	363,458
b) Less : Depreciation & Amortisation		244,737	176,384
c) Net Block	5	1,274,538	187,074
2. Capital work in Progress		57,650	–
3. Investments	6	6,013	7,078
4. Current Assets, Loans & Advances			
a) Inventories	7	679,824	134,735
b) Sundry Debtors	8	600,155	41,700
c) Cash & Bank Balances	9	111,948	23,294
d) Other Current Assets	10	310	–
e) Loans & Advances	11	177,698	10,660
		1,569,935	210,389
Less : Current Liabilities & Provisions			
a) Liabilities	12	920,386	121,253
b) Provisions	13	76,921	5,191
		997,307	126,444
Net Current Assets		572,628	83,945
Total		1,910,829	278,097
Notes on Accounts	21		

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.

D. T. Kesharani
Partner
For and on behalf of **V. J. Amin & Co**
Chartered Accountants
Membership No. 047553
Date : 7th September, 2009

Deepak Khaitan - *Chairman*
Srinivash Singh - *Vice Chairman*
S. Prasad - *Managing Director*
B. B. Jain - *General Manager Finance (Product)*
B. I. Patel - *Company Secretary*

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

	Schedule No	For the year ended 31st March, 2009 Rs. in '000	For the year ended 31st March, 2008 Rs. in '000
INCOME			
Sales of Products & Contracts	15	1,995,240	602,399
Agency Commission		25,621	-
Other Income	16	17,825	2,741
Total		2,038,686	605,140
EXPENDITURE			
Materials	17	1,211,692	391,610
(Increase) / Decrease in Finished Goods and Work in Progress	18	(200,694)	(29,302)
Outsourcing Expenses to Outsiders for Job work Expenses	19	130,307	11,081
Depreciation and Amortisation		484,134	119,078
Interest and Finance charges (net)	20	70,291	14,529
Total		1,730,078	510,745
PROFIT BEFORE TAXATION		308,608	94,395
TAXATION FOR THE YEAR			
Less / (Add) Provision for Current Tax		84,300	20,500
Less / (Add) Provision for Past Year Tax		-	1,175
Less / (Add) Provision for Deferred Tax		27,694	16,683
Less / (Add) Provision for Fringe Benefit Tax		1,955	430
Less / (Add) Provision for Wealth Tax		86	131
		114,035	38,919
PROFIT AFTER TAXATION		194,573	55,476
Brought forward from Previous Year		14,446	12,660
		209,019	68,136
APPROPRIATIONS			
Interim Dividend		-	9,751
Corporate Dividend Tax for Interim Dividend		-	1,657
Proposed Dividend		11,033	1,950
Corporate Dividend Tax for Final Dividend		1,875	332
Transfer to General Reserve		10,000	40,000
Balance carried forward		186,111	14,446
		209,019	68,136
Notes on Accounts	21		

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.

D. T. Kesharani
Partner
For and on behalf of **V. J. Amin & Co**
Chartered Accountants
Membership No. 047553
Date : 7th September, 2009

Deepak Khaitan - Chairman
Srinivash Singh - Vice Chairman
S. Prasad - Managing Director
B. B. Jain - General Manager Finance (Product)
B. I. Patel - Company Secretary

**SCHEDULES**

	As at 31st March, 2009 Rs. in '000	As at 31st March, 2008 Rs. in '000
1. CAPITAL		
Authorised		
1,00,00,000 (2007-08 50,00,000) Equity Shares of Rs.10/- each	100,000	50,000
Issued ,Subscribed and Paid up Capital		
39,00,400 (2007-08 39,00,400) Equity Shares of Rs.10/- each fully paid up	39,004	39,004
Notes :		
Of the above Shares		
(i) 40,000 Shares were issued to vendors for consideration other than cash.		
(ii) 17,98,000 Shares were issued as fully paid-up Bonus Shares by way of Capitalisation of General Reserve.		
(iii) 1,19,000 Equity Shares were Forfeited in eariler period		
(iv) 34,05,825 Equity Shares are held by the holding company		
Capital Suspense Account	34,555	—
34,55,529 (Previous Year Nil) Equity Shares of Rs.10/- each fully paid up to be issued to McNally Bharat Engineering Company Limited pursuant to Scheme of Arrangement between the Company and McNally Bharat Engineering Company Limited (Refer Note 2 in Schedule 21)		
Total	73,559	39,004

SCHEDULES

	As at 31st March, 2009 Rs. in '000	As at 31st March, 2008 Rs. in '000
2. RESERVE AND SURPLUS		
Revaluation Reserve		
Balance as per last account	22,337	22,337
Capital Redemption Reserve		
Balance as per last account	-	-
Capital Reserve		
Balance as per last account	2,359	2,359
Add : Amount added pursuant to Scheme of Arrangement between the Company & MBECL (Refer Note 2 in Schedule 21)	785,445	-
Total	<u>787,804</u>	<u>2,359</u>
Security Premium account		
Balance as per last account	49,760	49,760
General Reserve		
Balance as per last account	100,000	60,000
Add : Amount transferred from Profit and Loss Account	10,000	40,000
Balance as at 31st March, 2009	<u>1,10,000</u>	<u>100,000</u>
Profit & Loss Account		
Balance as per last account	14,446	12,660
Add : Profit for the year	1,71,665	1,786
Balance as at 31st March 2009	<u>1,86,111</u>	<u>14,446</u>
Total	<u>1,156,012</u>	<u>188,902</u>

**SCHEDULES**

	As at 31st March, 2009 Rs. in '000	As at 31st March, 2008 Rs. in '000
3. SECURED LOANS		
From Banks :	179,400	2,393
Overdraft including Working Capital Demand Loans		
i) Rs.66,738,703 secured by hypothecation of all present and future goods, book debts, movable assets, mortgage of immovable properties of the Company located at Chhani Road Vadodara		
ii) Rs.112,660,835 secured on a pari passu basis by the current assets of MBECL including that of the Product Division of MSEL and immoveable and moveable assets located at manufacturing Unit -1 of the Factory premises at Kumardhubi (Refer Note 3 (iv) on Schedule 21)		
Term Loans	441,052	–
i) Rs.383,200,000 secured by first pari passu charge on all the moveable and immoveable fixed assets of MBECL including that of the Product Division (excluding Kumardhubi plant) both present and future including the equipments to be purchased under the said facility (Refer Note 3 (iv) on Schedule 21)		
ii) Rs.57,852,000 secured by equitable mortgage on the factory land and proposed constructions at industrial land property at Asansol		
Car Loans 915 (Secured by hypothecation of motor vehicles acquired out of these loans)	–	
Total	621,367	2,393
4. UNSECURED LOANS		
Fixed Deposit [includes Rs.Nil from Directors (2007-08 Rs. 2,886,000/-)]	–	13,451
Other Loans:		
From others:		
– Car Loan	901	3,051
Total	901	16,502

SCHEDULES
5. FIXED ASSETS

Particulars	GROSS BLOCK AT COST/ VALUATION						DEPRECIATION/ AMORTISATION						NET BLOCK	
	As at 31st March 2008 Rs.	Additions Rs.	Assets taken over Rs.	Sale/ adjustment Rs.	As at 31st March 2009 Rs.	As at 31st March 2008 Rs.	For the year Rs.	On Assets taken over Rs.	On sales/ adjustment Rs.	As at 31st March 2009 Rs.	As at 31st March 2008 Rs.	As at 31st March 2009 Rs.	As at 31st March 2008 Rs.	
TANGIBLE ASSETS														
Freehold Land	30,997,091	-	25,616,209	-	56,613,300	-	-	-	-	-	56,613,300	30,997,091		
Leasehold Land	-	32,703,294	65,923,105	-	98,626,399	-	-	880,158	-	880,158	97,746,241	-		
Building	68,741,925	362,126,467	10,023,974	-	440,892,366	43,241,804	3,524,249	657,267	-	47,423,320	393,469,046	25,500,121		
Plant & Machinery	144,336,106	194,533,635	231,789,917	-	570,659,658	103,984,659	8,584,286	11,553,127	-	124,122,072	446,537,586	40,351,447		
Plant & Machinery - Windmill	76,392,308	-	-	-	76,392,308	7,066,593	7,898,965	-	-	14,965,558	61,426,750	69,325,715		
Furniture & Fixtures	9,905,653	5,449,485	2,123,410	-	17,478,548	4,305,610	482,024	205,599	-	4,993,233	12,485,315	5,600,043		
Refrigerators & Airconditioners	-	308,804	1,378,780	-	1,687,584	-	5,328	73,773	-	79,101	1,608,483	-		
Office Equipments	19,522,849	776,383	861,679	-	21,160,911	14,279,861	999,413	49,681	-	15,328,955	5,831,956	5,242,988		
Vehicles	12,884,398	1,685,219	1,607,518	8,770,999	7,406,136	3,362,118	730,483	153,930	1,939,471	2,307,060	5,099,076	9,522,280		
Telephone Plant	-	-	382,496	-	382,496	-	-	18,675	-	18,675	363,821	-		
Cooking Appliances	-	83,648	4,632	-	88,280	-	331	918	-	1,249	87,031	-		
INTANGIBLE ASSETS														
Technical Knowhow	-	-	1,977,487	-	1,977,487	-	-	1,977,487	-	1,977,487	-	-		
Design & Drawings	-	-	225,000,000	-	225,000,000	-	-	32,217,506	-	32,217,506	192,782,494	-		
Computer Software	677,598	153,500	78,029	-	909,127	142,891	246,223	33,028	-	422,142	486,985	534,707		
TOTAL	363,457,928	597,820,435	566,767,236	8,770,999	1,519,274,600	176,383,536	22,471,302	47,821,149	1,939,471	244,736,516	1,274,538,084	187,074,392		
PREVIOUS YEAR	307,876,050	60,090,578	-	4,508,700	363,457,928	163,459,517	14,529,014	-	1,604,995	176,383,536	187,074,392	144,416,533		

**SCHEDULES**

	As at 31st March, 2009 Rs. '000	As at 31st March, 2008 Rs. '000
6. INVESTMENTS		
Current		
Investment in Equity Shares - Quoted		
1000 Equity Shares of Rs. 10/- each Bharti Airtel Ltd	409	409
400 Equity Shares of Rs. 10/- each - Reliance Industires Ltd	369	369
Investment in Mutual Funds		
50000 Units of Rs. 10/- each SBI Magnum comma Fund	500	500
50050 Units of Rs. 10/- each SBI Magnum Multicap Fund	500	500
30000 Units of Rs. 10/- each SBI Blue chip Fund	300	300
45546 Units of Rs. 10/- each SBI Magnum Globle Fund	2,000	2,000
17405 Units of Rs. 10/- each SBI contra Fund	600	600
26676 Units of Rs. 10/- each Tata Infrastructure Fund	584	584
50000 Units of Rs. 10/- each HDFC Long term Equity Fund	500	500
20000 Units of Rs. 10/- each Relience Equity Fund	200	200
10645 Units of Rs. 10/- each DSPML Tigre Fund	300	300
19866 Units of Rs.10/- each Templeton Equity fund	200	200
30000 Units of Rs. 10/- each Sbi One India Fund	300	300
20000 Units of Rs/ 10/ each SBI Infrastructure Fund.	200	200
161.010 Units of IDFC Liquid Fund - Growth	178	-
Long Term (at cost)		
Other than Trade		
100 shares of Rs10/- each fully paid-up in McNally Bharat Co-operative Credit Society Limited	1	-
100 Equity shares of Rs. 25/- each Co-Op Bank of Baroda Ltd	3	3
4516 Equity share of Rs. 25/- each Baroda district Co-Op Bank	113	113
	<u>7,257</u>	<u>7,078</u>
Less : Provision for Diminution in Investment value	1,244	-
Total	<u>6,013</u>	<u>7,078</u>
Aggregate Book Value of Unquoted Investment	116	115
Aggregate Book Value of quoted Investment	7,140	6,962
Aggregate Market Value of quoted Investment	6,031	9,889

SCHEDULES

	As at 31st March, 2009 Rs. in '000	As at 31st March, 2008 Rs. in '000
7. INVENTORIES		
Stores and Spare Parts (including In-Transit Rs.74,30,044, 2007-08 Rs.Nil)	131,070	30,796
Loose Tools	10,028	–
Raw Materials (Including in -Transit Rs 131,92,580 (2007-08 Rs.Nil)	134,781	6,237
Job in Progress	379,677	84,927
Finished Goods	24,268	12,775
Total	<u>679,824</u>	<u>134,735</u>
8. SUNDRY DEBTORS		
Unsecured		
Debts Outstanding for period exceeding Six Months		
– Considered Good	59,867	5,296
– Considered Doubtful	4,563	–
	64,430	5,296
Less : Provision	4,563	–
	59,867	5,296
Other Debts - Considered Good	540,288	36,404
Total	<u>600,155</u>	<u>41,700</u>
9. CASH AND BANK BALANCES		
Cash and Cheques in hand	1,675	395
With Schedule Bank		
– On Current Account	68,767	19,284
– On Deposit Account *	41,506	3,615
Total	<u>111,948</u>	<u>23,294</u>
* Includes Rs. 15,00,000/- (2007-08. Rs. 26,00,000/-) pledged with Banks		

**SCHEDULES**

	As at 31st March, 2009 Rs. in '000	As at 31st March, 2008 Rs. in '000
10. OTHER CURRENT ASSETS		
Interest receivable	310	–
Total	<u>310</u>	<u>–</u>
11. LOANS AND ADVANCES - UNSECURED CONSIDERED GOOD		
Advances recoverable in cash or in kind or for value to be received	118,072	4,843
Less : Provision for Doubtful Advances	1,411	–
	116,661	4,843
Deposits with Government, Public bodies and others	12,106	1,960
Balance with Central Excise	48,931	141
Advance Payment of Tax (net of Provision for Tax)	–	3,716
Total	<u>177,698</u>	<u>10,660</u>
12. CURRENT LIABILITIES		
Acceptance	23,012	–
Sundry Creditors		
Total outstanding dues of Micro & Small enterprises (Refer Note 19 on Schedule 21)	7,622	5,024
Total outstanding dues of other than Micro & Small enterprises	566,636	11,051
Advance payment from Customers	225,881	73,707
Other Liabilities	76,352	31,190
Interest Accrued but not due	20,883	281
Total	<u>920,386</u>	<u>121,253</u>
13. PROVISIONS		
Proposed Dividend	11,033	1,950
Corporate Dividend Tax	1,875	331
Provision for Employee Benefits	27,195	2,910
Provision for Taxation (Net of Advance Tax)	36,818	–
Total	<u>76,921</u>	<u>5,191</u>
14. DEFERRED TAX		
Liabilities		
Depreciation	63,314	34,491
Assets		
Section 43 B items	(3,744)	(2,593)
Other Items	(580)	(602)
Total	<u>58,990</u>	<u>31,296</u>

SCHEDULES

	For the year ended 31st March, 2009 Rs. in '000	For the year ended 31st March, 2008 Rs. in '000
15. SALE OF PRODUCTS		
Sale of Equipments and Spare Parts	2,172,618	682,056
Sale of scrap	17,104	2,264
Less : Excise duty	<u>229,424</u>	<u>88,790</u>
	1,960,298	595,530
Energy Income - Wind Mill	13,127	6,869
Sale of Trading Goods	11,015	-
Works Contract	<u>10,800</u>	<u>-</u>
Total	<u>1,995,240</u>	<u>602,399</u>
16. OTHER INCOME		
Service Income	9,745	-
Insurance Claim Received	486	40
Dividend Earned	750	321
Miscellaneous Income	96	1,896
Commission Received	-	389
Profit on Sale of Investment	252	69
Gain on Exchange Fluctuations (net)	2,848	26
Liabilities no longer required written back	<u>3,648</u>	<u>-</u>
Total	<u>17,825</u>	<u>2,741</u>

**SCHEDULES**

	For the year ended 31st March, 2009 Rs. in '000	For the year ended 31st March, 2008 Rs. in '000
17. MATERIALS		
Balance as at 1st April 2008	6,237	13,278
Add : Taken Over from Products Division of MBECL	71,025	–
Add : Purchases	536,389	128,163
	<u>613,651</u>	<u>141,441</u>
Balance as at 31st March 2009	134,781	6,237
Consumption of Raw Materials	478,870	135,204
Consumption of bought out Components and Spare Parts	729,442	256,406
Purchase of Trading Goods	3,380	–
Total	<u>1,211,692</u>	<u>391,610</u>
18. (INCREASE) / DECREASE IN STOCK		
Balance as at 1st April 2008		
Work in Process	84,927	57,682
Add : Taken Over from Products Division of MBECL	105,549	–
Finished Goods	12,775	10,718
	<u>203,251</u>	<u>68,400</u>
Less :		
Balance as at 31st March 2009		
Work in Process	379,677	84,927
Finished Goods	24,268	12,775
	<u>403,945</u>	<u>97,702</u>
Total	<u>(200,694)</u>	<u>(29,302)</u>

SCHEDULES

	For the year ended 31st March, 2009 Rs. in '000	For the year ended 31st March, 2008 Rs. in '000
19. EXPENSES		
Salaries Wages & Bonus	183,883	53,736
Contribution to Provident and Other fund	21,184	5,418
Workmen and Staff welfare Expenses	7,697	2,415
Professional Fees	24,190	3,002
Consumption of Stores and Spare Parts	9,707	–
Power	24,927	6,664
Repairs to Building	4,228	6,071
Repairs to Machinery	8,505	749
Repairs - others	12,381	585
Rent	5,107	320
Subscriptions and donations	1,728	–
Bank charges	18,397	2,190
Rates & Taxes	1,964	735
Insurance	4,218	1,215
Cartage and freight	33,243	1,320
Travelling and conveyance	28,487	6,743
Running and maintenance of vehicles	3,508	736
Royalty	10,709	–
Commission Expenses	4,875	2,230
Advances written off (net)	744	–
Bad debts written off	9,987	–
Provision for Bad and Doubtful Debts	2,756	–
Provision for Doubtful Advances	1,411	–
Loss on Exchange Fluctuations (net)	1	–
Loss on sale of Fixed Assets (net)	4,339	–
Loss on Diminution in Investment Value	1,244	–
Management Service Fee	35,276	–
Miscellaneous	26,819	24,949
	<u>491,515</u>	<u>119,078</u>
Less : Transferred to Fixed Asset	7,381	
Total	<u>484,134</u>	<u>119,078</u>
20. INTEREST AND FINANCE CHARGES		
On Fixed Loans	15,043	3,710
On Others 20,671	630	
	<u>35,714</u>	<u>4,340</u>
Less : Interest earned		
On Fixed Deposit and Others (tax deducted at source Rs.878,772 (2007-08 Rs.58,736)	4,512	591
On Sales Tax Refund	703	–
On Income Tax Refund	–	–
	<u>5,215</u>	<u>591</u>
Bill Discounting charges	3,849	–
Total	<u>34,348</u>	<u>3,749</u>

SCHEDULES

21. 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. The Cost is net of CENVAT and or VAT wherever applicable. 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:

(a) Depreciation is provided on assets acquired up to 31/03/1989 on written down value method and assets acquired on or after 01/04/1989 on straight line method at the rates prescribed in schedule XIV of the Companies, Act 1956 or based on the remaining residual life whichever is higher.

(b) The rates of depreciation where different from Schedule XIV are as follows:

Particulars	Rate
Certain items of Factory Building	5% - 10%
Certain items of Non-factory Building	4.17% - 10%
Certain items of Plant & Machinery	5% - 20%

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

c) Profit and Loss on disposal of Fixed Assets is recognized in Profit and Loss Account.

d) Intangible Assets include technical know-how for vibrating screen and granulators which are amortized over a period of five years and designs and drawing are amortized over a period of seven years respectively under straight line method. Intangible assets also include computer software which are amortized over a period of three to five years.

e) An impairment loss is recognized where applicable when the carrying value of the Fixed Assets exceeds its market value or value in use, whichever is higher.

iv. GOVERNMENT GRANTS

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

v. INVESTMENTS

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

SCHEDULES

21. NOTES ON ACCOUNTS(Contd.)

vi. STOCK and JOBS-IN PROGRESS

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

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

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

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

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

vii. FOREIGN CURRENCIES

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

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

The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. The premium or discount arising at the inception of a forward exchange contract is amortised as expense or income over the life of the contract.. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period. However foreign currency loan availed of on a fully hedged basis is accounted for in the currency in which such loan has been fully hedged as no exchange fluctuation is on the Company's account in terms of the underlying contracts.

viii. SALES

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

(b) Erection and commissioning income is recognized as revenue to the extent of completion of erection work as assessed or as and when it becomes due as per terms of contracts.

(c) Repairs and service income is recognized as revenue after the service is rendered and invoiced to the customers.

ix. ACCOUNTING OF CLAIMS

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

x. INCOME FROM INVESTMENTS

Income from investments is included, together with related tax credit, in the Profit and Loss Account on an accrual basis. Dividend income from investments is recognized on receipt basis.



SCHEDULES

21. NOTES ON ACCOUNTS (Contd.)

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.

(b) Defined Benefit Plans

Gratuities and Leave Encashment

The Company operates Gratuity Fund Schemes for its employees. The liability in respect of such scheme has been ascertained on the basis of actuarial valuation at the year-end and provided for. The schemes, which are funded are administered by SBI Life Insurance Co. Ltd. and 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 to certain employees 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 RESEARCH AND DEVELOPMENT

Revenue expenditure relating to Research and Development is charged in the year in which it is incurred. Capital expenditure incurred for Research and Development is capitalized.

xiii 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.

xiv 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.

SCHEDULES

21. NOTES ON ACCOUNTS (Contd.)

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

xv CONTINGENT LIABILITIES

Contingent liabilities are disclosed after careful evaluation of the facts and legal aspects of the matter involved.

2. McNally Bharat Engineering Co. Ltd, the Company having its Registered Office at 4, Mangoe Lane, Kolkata – 700001, West Bengal (MBECL) has acquired 87.32% of the total shareholding of the Company for Rs. 75.47 crores as per the MOU dated 16.05.2008 from the promoters of the Company and the Open Offer to the shareholders of the Company. With this acquisition the Company has become a subsidiary of MBECL. The name of the Company was changed during the year to McNally Sayaji Engineering Limited (MSEL) vide fresh Certificate of Incorporation issued on 29.10.2008 by the Government of India, Ministry of Corporate Affairs, Registrar of Companies, Gujarat.
3. As per the Scheme of Arrangement as sanctioned by the Hon'ble High Court at Calcutta vide its Order dated 26.08.2009 for reconstruction of MBECL and the Company whereby the Products Division of MBECL engaged in the business of manufacture and/or procuring equipments for various engineering and infrastructure projects and having its units at Kumardhubi, in the State of Jharkhand and Asansol, in the State of West Bengal and Bangalore, in the State of Karnataka has been transferred to the Company with effect from the appointed date, i.e. 01.04.2008 as under-
 - i. The entire business and all the assets and liabilities, duties and obligations of the Products Division of MBECL has been transferred to and vested in the Company from 01.04.2008, the appointed date as per the valuation by DBD Business Solutions (P) Ltd. as under-

	(Rs. Crores)	(Rs. Crores)
A. Assets		
Fixed Assets		
Land	9.15	
Buildings	1.00	
Plant & Machinery	23.18	
Furniture & Fixture	0.21	
Motor Car	0.16	
Intangible Assets	0.21	
Drawings and Designs	22.50	
Other Fixed Assets	0.26	56.67
Capital work in Progress		17.57
Investments		0.42
Net Current Assets		
Current Assets	56.27	
Current Liabilities and Provisions	31.42	24.85
Total		99.51
B. Liabilities		
Secured Loans		17.51
Net Asset Value (A-B)		82.00

**SCHEDULES****21. NOTES ON ACCOUNTS (Contd.)**

- ii. Pursuant to Scheme of Arrangement between the Company and MBECL, 34,55,529 Equity Shares of Rs. 10/- each fully paid up of the Company are to be issued to MBECL and such shares shall rank pari passu in all respect with the existing equity shares of the Company, which pending allotment has been disclosed under capital suspense account. An amount of Rs. 34,555,290 has been included in the share capital suspense account as at March 31, 2009.
 - iii. It has been agreed by MBECL and the Company that to the extent of existing and future contracts in the Projects Division of MBECL which requires use of facility of the Products division of MSEL i.e. the Company for sourcing of products and spares therefrom, MBECL shall be entitled to have such facilities put to use on mutually agreed terms. MBECL has also agreed to extend engineering facilities to and credentials of the Projects Division of MBECL for meeting commitment for supply of any system to its customers of the Company and vice versa.
 - iv. The transfer and vesting of Products Division of the MBECL to the Company shall be subject to the existing charges, mortgages and encumbrances, if any, over the assets or any part thereof, provided however, that such charges, mortgages and/or encumbrances shall be confined only to the assets of MBECL or part thereof on or over which they are subsisting on transfer to and vesting of such assets in the Company and no such charges, mortgages and/or encumbrances shall extend over or apply to any other asset(s) of the Company. Thus the existing charges on the assets of the Products Division for facilities enjoyed by MBECL will continue and vice versa. Accordingly working capital demand loans, cash credit facilities, term loans and other non fund based facilities of MBECL are secured by assets including those of the Product Division of MSEL.
4. In addition to the assets and liabilities transferred as per scheme of arrangement specified in Note 3 (i), a number of loans / other assets have been transferred from the Products Division of MSEL to MBECL and vice versa during the year with the mutual consent of both the parties. The details of which are as follows :

Particulars	Rs. in '000
Loan Balance transferred from MBECL to the Products Division of MSEL	441,708
Loan Balance transferred from the Products Division MSEL to MBECL	98,531
Fixed Assets Transferred from MBECL to the products Division of MSEL	752
Fixed Assets Transferred from Products Division MSEL to MBECL	20,516
Investments transferred from Products Division of MSEL to MBECL	456
Share of employee liabilities of the Products Division of MSEL as on 1.4.2008 transferred from MBECL	8,316
Balance lying in Product Division of MSEL books on account of Provision for Fringe Benefit Tax (net of Advance Payment) transferred to MBECL	316
Other Assets transferred from Products Division of MSEL to MBECL	848

5. As per the Certificate of Registration of Company Law Board Order dated 27.02.2009, the Registered Office of the company stands shifted from the state of Gujarat to the state of West Bengal. Now the Registered Office of the company is situated at 4, Mangoe Lane, Kolkata – 700 001

SCHEDULES
21. NOTES ON ACCOUNTS (Contd.)

	As at 31st March 2009 Rs.'000	As at 31st March 2008 Rs.'000		
6. Other money for which the Company is contingently liable:				
a) Excise Duty matters pending in appeal related to issues of applicability and classification	9,560	1,337		
b) Sales Tax matters pending in appeal relating to disputes regarding assessable value and exemptions claimed	2,062	–		
c) Labour matters	983	943		
The probable cash outflow in respect of the above matters is not determinable at this stage.				
7. Jobs-in-Progress include value of Raw Materials lying with third parties for fabrication	6,860	1,656		
8. Stores and Spare Parts consumed include loose tools	854	–		
9. Capital Commitment	58,550	–		
10. Auditors' Remuneration:				
Fees	33	33		
Tax Audit	3	3		
Miscellaneous Certificates	1	1		
Out of Pocket Expenses	1	1		
	38	38		
11. Directors' Remuneration:				
Remuneration to director included in Schedule 18 :				
Salary	2,780	4,594		
Contribution to Provident and Other Funds	369	367		
Perquisites, etc.	4,407	3,361		
Directors' Fees	75	45		
	7,631	8,367		
12. During the year, the Company has acquired and sold the following investments:				
	For the year ended 31st March 2009		For the year ended 31st March 2008	
Name of Investment	No of Units ('000)	Cost (Rs.'000)	No of Units ('000)	Cost (Rs.'000)
SBI Horizon Fund	1,499	15,000	–	–
HDFC Cash Management Fund	997	10,000	–	–

SCHEDULES

21. NOTES ON ACCOUNTS (Contd.)

13. Installed Capacity of Plant at Kumardhubi and Baroda :

i)	Coal Washing Plant of 300 Tonscapacity	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 per annum	10,000 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	Ten Plants per annum	Ten 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

Note : The installed capacities are as certified by the Management

SCHEDULES
21. NOTES ON ACCOUNTS (Contd.)
14. Sale and Production for the year ended 31st March, 2009

	Production Quantity M.T./Nos.	Quantity M.T.	Purchase Amount Rs.' 000	Quantity M.T./Nos.	Sale Amount Rs.' 000
1. Metallurgical Machinery.					
a) Kin and Cooler Plant / Machinery / Spares	120 MT	–	–	120 MT	41,704
b) Crushing and Screening Plant / Machinery / Spares	291 MT/ 468 Nos	–	–	291 MT/ 462 Nos.	529,028
c) Feeders and Gates Machinery / Spares	74 MT	–	–	74 MT	24,102
d) Ball Mill-Machinery / Spares	1801 MT	–	–	1801 MT	369,041
e) Structural Steel Work, Engineering, Fabrication and Erection	157 MT/ 2 Nos.	–	–	157 MT/ 2 Nos.	67,209
f) Mineral Beneficiation Plant / Machinery / Spares	442 MT	–	–	442 MT	79,847
2. Material Handling and Conveying Plant / Machinery / Spares	1808 MT	–	–	1808 MT	368,608
3. Coal Washing Plant / Machinery / Spares	455 MT	–	–	455 MT	59,791
4. Cement Mill/Plant	3 MT	–	–	3 MT	986
5. Pump and Spares	8,408 Nos.	–	–	8,393 Nos.	86,928
6. Thickener, Floatation cells and spares	1,397 Nos.	2 Nos.	3,380	1,399 Nos.	245,605
7. Cargo Handling	266 MT	–	–	266 MT	20,276
8. Projects/ Special Equipments	110 Nos.	–	–	106 Nos.	112,005
9. Power Units	–	–	–	–	13,127
10. Others/ Spares	–	–	–	–	206,407
TOTAL	5417 MT/ 10385 Nos.	2 Nos.	3,380	5417 MT/ 10362 Nos.	2,224,664
Excise Duty	–	–	–	–	229,424
TOTAL	5417 MT/ 10385 Nos.	2 Nos.	3,380	5417 MT/ 10362 Nos.	1,995,240

**SCHEDULES****21. NOTES ON ACCOUNTS (Contd.)**

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

		For the year ended 31st March, 2009		For the year ended 31st March, 2008	
		Quantity	Amount Rs. '000	Quantity	Amount Rs. '000
Raw Materials :					
a) Steel	MT	9,502	453,571	3,257	135,204
b) Pipes	Meters	7,926	2,970	–	–
c) Others			22,329		
	Total		478,870		135,204
Components, Spare Parts, Stores, etc.					
a) Casting	MT	3,931	237,434	1,483	122,537
b) Bearings	Nos.	2,462	16,634	–	–
c) Motors	Nos.	90	7,649	–	–
d) Others			467,725		133,869
	Total		729,442		256,406

16. Break-up of Imported and Indigeneous Materials Consumed

		For the year ended 31st March, 2009		For the year ended 31st March, 2008	
		Percentage %	Amount Rs. '000	Percentage %	Amount Rs. '000
Raw Materials :					
a) Imported		0.36%	1,719	11.24%	15,191
b) Indigeneous		99.64%	477,151	88.76%	120,013
		100.00%	478,870	100.00%	135,204
Components, Spare Parts, Stores, etc:					
a) Imported		3.12%	22,740	-	-
b) Indigeneous		96.88%	706,702	100.00%	256,406
		100.00%	729,442	100.00%	256,406

17. Value of Import (CIF Basis)

	As at 31st March, 2009 Rs.'000	As at 31st March, 2008 Rs.'000
Components, Spare Parts and Stores	26,591	12,865
Capital Goods	30,202	
	56,793	12,865

SCHEDULES
21. NOTES ON ACCOUNTS (Contd.)

18. a) Expenditure in Foreign Currency

	As at 31st March, 2009 Rs.'000	As at 31st March, 2008 Rs.'000
Travelling	463	229
Royalty and Technical Know-How	124	-
Professional and consultation fees	2,920	-
Interest	-	1,310
	3,507	1,539

b) Earnings in Foreign Currency

	As at 31st March, 2009 Rs.'000	As at 31st March, 2008 Rs.'000
Export of Goods and Components	57,056	9,435
Agency Commission	18,669	-
Others	-	-
	75,725	9,435

c) Net dividend remitted in foreign currency	11	61
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19. Details of Dues to Micro and Small enterprises:

	As at 31st March 2009 Rs.'000	As at 31st March 2008 Rs.'000
1. Principal Amount remaining unpaid at the end of the year	7,582	5,024
Interest due thereon remaining unpaid as at the end of year	41	-
2. Delayed payment of principal amount paid beyond the appointed day during the year	4,284	-
Interest actually paid under section 16 of the Act, during the year	-	-
3. 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 this Act;	-	-
4. Interest accrued at the end of the year	35	-
Interest remaining unpaid, out of above, as at the end of the year	35	-
5. 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 Act	41	-

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.

SCHEDULES

21. NOTES ON ACCOUNTS (Contd.)

20. 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 19.

21. Defined Benefit Plans :

As per Actuarial valuation as on 31st March, 2009 and recognised in the financial statements in respect of Defined Employee Benefit Schemes

Description	Gratuity (Funded) 2009 Rs.in'000	Leave Encashment (Unfunded) 2009 Rs.in'000
(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	53,285	8,883
Current Service Cost	2,596	905
Interest Cost	4,129	541
Actuarial (Gains)/Losses	2,035	(554)
Benefits Paid	(3,875)	(1,647)
Present Value of Obligation at the end of the year	58,170	8,128
(b) Reconciliation of the Opening and Closing balances of Plan Assets		
Fair Value of Plan Assets at the beginning of the year	37,515	-
Actual Return on Plan Assets	3,151	-
Actuarial Gains/(Losses) on plan Assets	86	-
Contributions	6,183	1,647
Benefits paid	(3,875)	(1,647)
Fair Value of Plan Assets at the end of the year	43,060	-
(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	58,170	8,128
Fair Value of Plan Assets at the end of the year [Refer Note (a)]	43,060	-
Assets/(Liabilities) recognized in the Balance Sheet	(15,110)	(8,128)
(d) Expense recognised in the Profit and Loss Account		
Current Service Cost	2,596	905
Interest Cost	4,129	541
Actual Return on Plan Assets	(3,151)	-
Actuarial (Gains)/Losses	2,035	(554)
Actuarial (Loss)/Gains on plan Assets	(86)	-
Total Expense recognized	5,523	892
(e) Category of Plan Assets :		
Fund with LIC	19,240	-
Fund with SBI	23,189	-
Others (including bank balances)	631	-
Total	43,060	-
(f) Actuarial Assumptions		
Discount Rate (Per annum)	7.5%	7.5%
Expected Rate of Return on Assets (Per annum)	8.5%	0.0%
Mortality rate	In accordance with standard table LIC (1994-96) ultimate	

SCHEDULES

21. NOTES ON ACCOUNTS (Contd.)

Notes :

- (a) The fair value of plan assets as on 1.4.2008 of Product division of MBECL taken over consequent to Scheme of Arrangement have been segregated between the Product division of MBECL and the rest of the Company on the basis of the present value of obligation as at the end of the year.
- (b) 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.
- (c) Comparative values of defined benefit plans for the past one year instead of four financial years as required by Accounting Standard - 15 (Revised 2005) on Employees Benefits are provided, this being only the second year of adoption of the Standard

(d) Amount recognized as expense:

i. Defined Benefit Plan

Contribution to Salaries, wages and bonus in Schedule 18 includes Leave Encashment of Rs. 8,92,069 (2007-08 Rs.6,14,813).

Contribution to provident and other funds in Schedule 18 includes of Gratuity of Rs. 55,22,795 (2007-08 Rs.24,85,888).

Contribution to Workmen and staff welfare expenses in Schedule 18 includes Long Service Award of Rs.(1,08,717) and Sick Leave of Rs. 9,73,625 (2007-08 Rs.Nil).

ii. Defined Contribution Plan

Contribution to provident and other funds in Schedule 18 includes Rs.70,07,180 (2007-08 Rs. 25,88,268) for Provident Fund, Pension Fund and Superannuation Fund.

22. Capitalisation of Borrowing Cost:

Addition to Fixed Assets includes Rs. 10,975,934 towards capitalisation of interest on borrowings for acquiring qualifying assets in accordance with Accounting Standard 16 (Borrowing Cost) issued by The Institute of Chartered Accountants of India.

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

Relationships

i) Holding Company

- McNally Bharat Engineering Company Limited (MBECL) (From 15/09/2008)

ii) Fellow subsidiaries

a) Subsidiaries of the Holding Company

- EWB-MBE International Kornyezetvedelmi Kft, Hungary (formerly EWB-MBE International Environmental Ltd.) (From 15/09/2008)
- McNally Bharat Infrastructure Limited (From 28/02/2008)
- McNally Bharat Equipments Limited (From 4/03/2008)

b) Subsidiary of EWB-MBE International Kornyezetvedelmi Kft, Hungary

- EWB Kornyezetvedelmi Kft, Hungary (From 15/09/2008)

**SCHEDULES****21. NOTES ON ACCOUNTS (Contd.)**

- iii) Associate
 - Sayaji Trading & Investments Pvt. Ltd. (STIPL) (up to 15/09/2008)
- iv) Key management personnel
 - Mr. Anil C. Patel – Chairman & Managing Director (up to 03/07/2008)
 - Mr. Nikhil V. Patel – Executive Director (up to 15/09/2008)
 - Mr. Kunal A. Patel – Executive Director (up to 15/09/2008)
 - Mr. Shambhu Prasad – Whole time Director (From 15/09/2008)

The following transactions were carried out with the related parties in the ordinary course of business.

- I) Relating to parent company referred to in (i) and (iii) above.

	Rs in '000 STIPL	Rs in '000 MBECL
Purchase of Materials and components	2,119 (9,987)	107,105 (-)
Purchase of services	– (-)	48,783 (-)
Sale of Products	– (-)	554,929 (-)
Advance received	– (-)	48,070 (-)
Other liabilities	– (-)	47,616 (-)
Sundry debtors	– (-)	238,800 (-)
Outstanding Balance of Advance Received for execution of orders	– (-)	48,070 (-)

- II) Relating to persons referred to in (iv) above

Remuneration Paid		7,557 (8,322)
Repayment of fixed deposit and Payment of interest thereon		3,089 (1,415)

Figures in bracket are for the year ended 31st March 2008.

- c) Also Refer Note 3 above

SCHEDULES
21. NOTES ON ACCOUNTS (Contd.)

	Currency pair	As at 31st March 2009	
		Buy ('000)	Sell ('000)
24. 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		286
	EUR/INR		202
	AUD/INR		–
– Payables	USD/INR	119	
	EUR/INR	128	
	AUD/INR	572	
– Loans	USD/INR	8,000	
25. Particulars of earnings per share:			
		As at 31st March 2009 Rs.'000	As at 31st March 2009 Rs.'000
Net Profit attributable to equity shareholders:			
Profit after Tax		194,573	55,476
Net Profit attributable to equity shareholders:			
Net Profit available for basic and dilutive earnings per share		194,573	55,476
Number of Equity Shares		7,355,929 *	3,900,400
Nominal Value of the Shares (Rs.)		10	10
Earning per Share – basic and diluted (Rs.)		26.45	14.22
* Includes 34,55,929 equity shares to be issued to MBECL pursuant to Scheme of Arrangement shown under Capital Suspense.			
26. Stores and Spare parts consumed debited to various heads amount to Rs.17,891,772 (2007-08 Rs.Nil).			
27. Previous year's figures have been regrouped and/or rearranged wherever necessary.			

Date : 7th September, 2009

Deepak Khaitan	-	Chairman
Srinivash Singh	-	Vice Chairman
S. Prasad	-	Managing Director
B. B. Jain	-	General Manager Finance (Product)
B. I. Patel	-	Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009**

	For the year ended 31st March, 2009		For the year ended 31st March, 2008	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
A. Cash Flow from Operating Activities :				
Net Profit Before Tax		308,608		94,394
Adjustments for:				
1. Depreciation	70,291		14,529	
2. Interest Charged	35,714		3,899	
3. Interest Income	(4,512)			
4. Dividend Income	(750)		(321)	
5. Loss/(Profit) on Sale of Fixed Assets (Net)	4,339		181	
6. Loss/(Profit) on Sale of Investment (Net)	(252)			
7. Provision for Diminution in Investment Value	1,244			
8. Bad Debts written off	9,987			
9. Advance written off	744			
10. Provision for bad and doubtful debts	2,756			
11. Provision for doubtful advances	1,411			
12. Liabilities no longer required written back	(3,648)			
13. Provision for employee benefits (Net)	15,715			
14. Inventories written off	–			
15. Fixed Assets written off	–			
16. Unrealised (gain)/ loss on exchange (Net)	–	133,039		18,288
Operating Profit Before Working Capital Changes		441,647		112,682
Adjustments for :				
1. Trade & Other Receivables	(494,402)		(2,624)	
2. Inventories	(332,498)		(19,094)	
3. Trade Payables	476,525	(350,375)	15,488	(6,230)
Cash Generated from Operations		91,272		106,452
1. Direct Taxes Paid (net of refund received)	(45,268)		(30,616)	
		(45,268)		(30,616)
Net Cash from Operating Activities		46,004		75,836
B. Cash Flow from Investing Activities :				
Purchase of Fixed Assets	(479,812)		(57,298)	
Sale of Fixed Assets	2,493		(68)	
Interest Received	4,388			
Dividend Received	750		321	
Purchase of Investments	–		8,800	
Sale of Investments	4,256	(467,925)	–	(48,245)
Net Cash used in Investing Activities		(467,925)		(48,245)

CASH FLOW STATEMENT (Contd.)

	For the year ended 31st March, 2009		For the year ended 31st March, 2008	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
C. Cash Flow from Financing Activities :				
Interest Paid	(15,112)		(4,220)	
Proceeds from issue of Share Capital	–		–	
Proceeds from Long Term Borrowings	441,708		–	
Repayment of Long Term Borrowings	(17,595)		(24,491)	
Proceeds from Other Borrowings	19,735		(3,479)	
Repayment of Other Borrowings	(15,601)		(7,713)	
Dividend paid (including tax thereon)	(2,281)	410,854	(11,408)	(51,311)
Net Cash from Financing Activities		410,854		(51,311)
Net Increase/(Decrease) in Cash and Cash Equivalents		(11,067)		(23,720)
Cash & Cash Equivalents (Opening Balance)		23,294		47,014
Add : Taken Over		99,721		–
Cash & Cash Equivalents (Closing Balance)		111,948		23,294

Notes to the Cash Flow Statement for the year ended 31st March 2009

- Cash & Cash Equivalents:

Cash & Cheques in Hand	1,675	395
With Scheduled Banks :		
On Current Account	68,767	19,284
On Deposit Account	41,506	3,615
	111,948	23,294
Effect of exchange rate changes	–	–
Cash and cash equivalents as restated	111,948	23,294
- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement.
- The transfer of the assets and liabilities of the Products Division of MBECL and the resultant issue of shares as referred to in Note 3 (i) of Schedule 21, being a non cash transaction has not been considered in the statement above
- 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.

D. T. Kesharani
Partner
For and on behalf of **V. J. Amin & Co**
Chartered Accountants
Date : 07.09.2009

Deepak Khaitan - Chairman
Srinivash Singh - Vice Chairman
S. Prasad - Managing Director
B. B. Jain - General Manager Finance (Product)
B. I. Patel - Company Secretary



Balance Sheet Abstract and Company's General Business Profile

(Rs. in '000)

1. Registration Details

Registration No. State Code
 Balance Sheet Date

2. Capital raised during the year

Public Issue	<input type="text" value="Nil"/>	Right Issue	<input type="text" value="Nil"/>
Bonus Issue	<input type="text" value="Nil"/>	Private Placements	<input type="text" value="Nil"/>

3. Position of Mobilisation and Deployment of Funds

Total Liabilities	<input type="text" value="2908136"/>	Total Assets	<input type="text" value="2908136"/>
Paid-up Capital	<input type="text" value="73559"/>	Reserves & Surplus	<input type="text" value="1156012"/>
Secured Loans	<input type="text" value="621367"/>	Un-Secured Loans	<input type="text" value="901"/>
Net Fixed Assets	<input type="text" value="1332188"/>	Investments	<input type="text" value="6013"/>
Net Current Assets	<input type="text" value="572628"/>	Deferred Tax Liabilities (Net)	<input type="text" value="58990"/>

4. Performance of Company

Turnover	<input type="text" value="2038686"/>	Total Expenditure	<input type="text" value="1730078"/>
Profit Before Tax	<input type="text" value="308608"/>	Profit After Current Tax	<input type="text" value="114035"/>
Earning Per Share (Rs.)	<input type="text" value="26.45"/>	Dividend Rate %	<input type="text" value="15 %"/>

5. Generic Names of Three Principal Products/ Services of the Company (as per monetary terms)

Item Code No. (ITC Code)	<input type="text" value="8474.20"/>	Product Description	<input type="text" value="All types of Crushers"/>
Item Code No. (ITC Code)	<input type="text" value="8474.10"/>	Product Description	<input type="text" value="Screens"/>
Item Code No. (ITC Code)	<input type="text" value="8474.31"/>	Product Description	<input type="text" value="Concrete Mixture"/>

Deepak Khaitan - *Chairman*
Srinivash Singh - *Vice Chairman*
S. Prasad - *Managing Director*
B. B. Jain - *General Manager Finance (Product)*
B. I. Patel - *Company Secretary*

Date : 07.09.2009

INDEPENDENT AUDITOR'S REPORT FOR THE OWNER OF EWB – MBE LTD.

We have completed the audit of enclosed closing business simplified annual report of EWB – MBE Ltd. For the year 2008, which closing business simplified annual report consists of the balance sheet prepared for the effective date of December 31, 2008 – in which the matching total sum of assets and liabilities is 10 201 thousand HUF, the balance sheet earnings total – 267 thousand HUF (loss) -, of the relevant profit and loss statements for years ending on that date, as well as the supplement.

Management's Responsibility for the Annual Report

The preparation and true presentation of the closing business simplified 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 included the development, implementation and maintenance of the regime of internal audit relevant for the preparation and true presentation of closing business simplified annual reports free of any material misrepresentation deriving from fraud or error, the selection and application of the appropriate accounting policies and preparation of reasonable accounting estimates in the given circumstances.

On 31st January 2008 we issued a certificate without qualification for the closing business simplified annual report of the Company for the year of 2007.

Auditor's Responsibility

It is our responsibility to assess the closing business simplified annual report based on the completed audit.

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 furthermore plan and perform the audit to obtain reasonable assurance whether the closing business simplified annual report are free from material misstatement.

The audit includes the performance of procedures that were aimed to obtain auditing evidence about the amounts and disclosures contained in the closing business simplified annual report. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the closing business simplified annual report, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the closing business the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the closing business simplified annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In the audit we have reviewed the closing business annual report of EWB – MBE Ltd. 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 closing business simplified annual report was prepared in accordance with the provisions of the accounting law and the general accounting principles.

We are convinced that the closing business simplified annual report gives a true and fair view of the asset, financial and income position of EWB – MBE Ltd. As of 31 December 2008.

Budapest, 31st January 2009

Peter Honti
Managing Director

Julianna Toth
Chartered Auditor
006646

Interauditor Neuner + Henzl Consulting Ltd.
1125 Budapest Szilagyí Erzsébet fasor 22/A II.em. 000171

**ASSETS**31.12.2008
in thousand HUF

No.	Denomination	Previous year	Modifications of previous years	Current year
1.	A. Invested Assets I+II+III	10000		10000
2.	I. Intangible Assets			
3.	II. Fixed Assets			
4.	III. Invested Financial Investments	10000		10000
5.	B. Current Assets I+II+III+IV	5797		201
6.	I. Inventories			
7.	II. Receivables	5400		2
8.	III. Marketable Securities			
9.	IV. Cash at Bank and Hand	397		199
10.	C. Prepayments and Accrued Income			
11.	Total Assets A+B+C	15797		10201

LIABILITIES

No.	Denomination	Previous year	Modifications of previous years	Current year
1.	D. Equity I+II+III+IV+V+VI+VII	10454		10187
2.	I. Issued capital	9900		9900
3.	II. Issued but unpaid capital (-)			
4.	III. Capital Reserve			
5.	IV. Accumulated Profit Reserve	448		554
6.	V. Tied-up Reserve			
7.	VI. Evaluation Reserve			
8.	VII. Balance-Sheet Profit or Loss figure	106		-267
9.	E. Provisions for Risk, Liabilities and Charges			
10.	F. LIABILITIES I+II+III	5243		1
11.	I. Subordinated Liabilities			
12.	II. Long Term Liabilities			
13.	III. Short Term Liabilities	5243		1
14.	G. Accruals and Deferred Income	100		13
15.	Total Equity and Liabilities D+E+F+G	15797		10201

Budapest, 31st January 2009

COMPANY LAYOUT OF THE PROFIT AND LOSS ACCOUNT

 31.12.2008
 in thousand HUF

No.	Denomination	Previous year	Modifications of previous years	Current year
1.	I. Net Sales Revenues	500		200
2.	II. Capitalized Value of Own Performance			
3.	III. Other Revenues			
4.	IV. Material-Type Expenditures	260		211
5.	V. Payments to Personnel	129		257
6.	VI. Deprecation			
7.	VII. Other Expenditures			
8.	A. Profit of Operations I+II+III-IV-V-VI-VII	111		-267
9.	VIII. Income from Financial Transaction			
10.	IX. Expenditures of Financial Transactions			
11.	B. Financial Profit or Loss VIII-IX			
12.	C. Profit or Loss on Ordinary Activities A+B	111		-266
13.	X. Extraordinary Income			
14.	XI. Extraordinary Expenditures			
15.	D. Extraordinary Profit or Loss Figure X-XI			
16.	E. Pre-Tax Profit or Loss C+D	111		-266
17.	XII. Tax Liabilities	5		1
18.	F. After-Tax Profit or Loss E-XII	106		-267
22.	Dividends Paid of Accumulated Profit Reserve			
23.	Dividends Paid (Approved)			
21.	G. Balance Sheet Profit or Loss Figure F+22-23	106		-267

Budapest, 31st January 2009

**NOTES TO THE CLOSING BUSINESS SIMPLIFIED FINANCIAL STATEMENTS OF
EWB-MBE INTERNATIONAL KÖRNYEZETVÉDELMI KFT. AS OF DECEMBER 31, 2008**

(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

The Company decided in 2008 to merging into the EWB Environmental Ltd.

The Court of Registry entered the merging with the date 31.12.2008.

The draft asset balance sheet and the draft asset inventory was prepared by the merging companies with the effective date 31.08.2008. The asset balance sheet and the asset inventory are prepared with the effective date 31.12.2008. on the strength of this balance sheet.

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.

For compilation of the annual financial reports is responsible : Bosze-Halak Consulting Ltd. Halak Eva (reg. nr : 003374)

For the independent audit of the annual report is responsible : Interauditor Kft, 1125 Budapest, Szilagyi Erzsébet avenue 22/A (reg. nr : 000171), Toth Julianna (reg. nr : 006646)

The fee for the auditing of this simplified annual report is HUF 100.000

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.

Value of own performance	2007	2008
Annual net sales revenues	500	200
+ Capitalized value of self-manufactured assets		
- Cost of goods sold		
- Value of subcontracted work		
Value of own performance	500	200

Profit on revenues :
Profit before taxation * 100

Net sales revenues

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

In 2008 $-266/200 * 100 = -133\%$

Profit on assets
Profit before taxation * 100

Total assets

In 2007 $111/15\,797 * 100 = 7\%$

In 2008 $-266/10\,201 * 100 = -3\%$

Profit on capital
Profit before taxation * 100

Equity

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

In 2008 $-266/10\,187 * 100 = -3\%$

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

Description	2007		2008	
	Sum	%	Sum	%
Invested assets	10000	63,3	10100	98,0
Current assets	5797	36,7	201	2,0
Prepaid expenses				
Total assets	15797	100,0	10201	100,0
Equity	10454	66,2	10187	99,9
Provision				
Liabilities	5243	33,2	1	0,0
Accrued expenses	100	0,6	13	0,1
Total liabilities	15797	100,0	10201	100,0

Strength of capital
*Equity * 100*

Total liabilities

In 2007 10 454/15797 * 100 = 66,2%

In 2008 10187/10201 x 100 = 99,9%

Capital supply
Equity x 100

Invested assets + inventories

In 2007 10454/(10000 + 0) * 100 = 104,54%

In 2008 10187/(10000 + 0) x 100 = 102%

Cash earned Profit per balance sheet + depreciation

In 2007 106 + 0 = 106

In 2008 -267 + 0 = -267

Liquidity rate : Liquid assets

Short term liabilities

In 2007 5797/5243 = 1,11

In 2008 201/1 = 201,00

 Dividend on capital : $\frac{\text{Dividend paid (approved)}}{\text{Issued capital}} * 100$

Issued capital

In 2007 there was no approved dividend

In 2008 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 method 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 :

Description	Opening value	Addition	Disposal	Closing value
Gross value				
Rights representing money of monies worth	0			0
Intellectual property	26		-26	0
Real estate	0			0
Technical tangible assets	0			0
Other tangible assets	0			0
Investments	0			0
In quantity registered assets	0			0
Total invested assets	26	0	-26	0

Description	Opening value	Addition	Disposal	Closing value
Rights representing money or monies worth	0			0
Intellectual property	26		-26	0
Real estate	0			0
Technical tangible assets	0			0
Other tangible assets	0			0
In quantity registered assets	0			0
Total invested assets	26	0	-26	0
Net value				
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
Total invested assets	0	-	-	0

Among intellectual property the Company has software, which became redundant through the merging.

There was no loss on value, respectively rebooked value loss in 2008.

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 10000 thousand.

The receivable is the solidarity corporate tax prepayment in value of HUF 2 thousand.

The liquid assets are HUF 199 thousand on bank account.

The Company has no prepaid expense.

Breakdown of equity

Description	Opening value	Addition	Disposal	Closing value
Subscribed capital	9900	0	0	9900
Accumulated profit reserve	448	106		554
Net profit per balance sheet	106		373	267
Total equity	10454	106	373	10187
Tied up capital	0			0

The accumulated profit reserve increased by the gain of the previous period.

The net profit per balance sheet 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 is corporate tax liability in value of HUF 1 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 :

Description	2007	2008
Auditing services	100	0
Total material type services used	100	0
Bank costs	152	185
Other services	8	26
Total other services	160	211

In 2008 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 2008.

Tax base modifying item has not arisen in the financial year 2008.

The payable corporate tax is HUF 1 thousand on the base of the revenue; the payable solidarity corporate tax is HUF 0 thousand.

6. Other information data

The Company didn't employ any employee in 2008.

The management and members of Supervisory Board did not received any advance or load, 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.

Budapest, January 31, 2009

General Manager

INDEPENDENT AUDITOR'S REPORT FOR THE OWNERS OF EWB KÖRNYEZETVÉDELMI LTD.

We have completed the audit of the enclosed simplified annual report of EWB Környezetvédelmi Ltd. For the year 2008, which simplified annual report consists of the balance sheet prepared for the effective date of December 31, 2008 – in which the matching total sum of assets and liabilities is 480046 thousand HUF, the balance sheet earnings total 39221 thousand HUF (profit) -, of the relevant profit and loss statements for years ending on that date, as well as the supplement.

Management's Responsibility for the Annual Report

The preparation and true presentation of the simplified 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 the regime of internal audit relevant for the preparation and true presentation of simplified annual report free of any material misrepresentation deriving from fraud or error, the selection and application of the appropriate accounting policies and preparation of reasonable accounting estimates in the given circumstances.

On 31st January 2008 we issued a certificate without qualification for the simplified annual report of the Company for the year of 2007.

Auditor's responsibility

It is our responsibility to assess the simplified annual report based on the completed audit.

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 furthermore plan and perform and audit to obtain reasonable assurance whether the simplified annual report are free from material misstatement.

The audit includes the performance of procedures that were aimed to obtain auditing evidence about the amounts and disclosures contained in the simplified annual report. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the simplified annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the simplified annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the simplified annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion :

In the audit we have reviewed the simplified annual report of EWB Környezetvédelmi Ltd. 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 simplified annual report was prepared in accordance with the provisions of the accounting law and the general accounting principles.

We are convinced that the simplified annual report gives a true and fair view of the asset, financial and income position of EWB Környezetvédelmi Ltd. As o 31 December 2008.

Budapest, 31st January 2009

Peter Honti
Managing Director

Julianna Toth
Chartered Auditor
006646

Interauditor Neuner + Henzl Consulting Ltd.
1125 Budapest Szilagyí Erzsébet fasor 22/A II.em. 000171

ASSETS

 31.12.2008
 in thousand HUF

No.	Denomination	Previous year	Modifications of previous years	Current year
1.	A. Invested Assets I+II+III	6604		4787
2.	I. Intangible Assets	3		
3.	II. Fixed Assets	6601		4787
4.	III. Invested Financial Investments			
5.	B. Current Assets I+II+III+IV	170909		475055
6.	I. Inventories	47323		145440
7.	II. Receivables	118485		226544
8.	III. Marketable Securities			
9.	IV. Cash at Bank and Hand	5101		103071
10.	C. Prepayments and Accrued Income	94		204
11.	Total Assets A+B+C	117607		480046

LIABILITIES

No.	Denomination	Previous year	Modifications of previous years	Current year
1.	D. Equity I+II+III+IV+V+VI+VII	24399		63620
2.	I. Issued Capital	15000		15000
3.	II. Issued but Unpaid Capital (-)			
4.	III. Capital Reserve			
5.	IV. Accumulated Profit Reserve	925		-15655
6.	V. Tied-up Reserve			25054
7.	VI. Evaluation Reserve			
8.	VII. Balance Sheet Profit or Loss Figure	8474		39221
9.	E. Provisions for Risk, Liabilities and Charges	8028		26870
10.	F. Liabilities I+II+III	143958		369958
11.	I. Subordinated Liabilities			
12.	II. Long Term Liabilities	1707		746
13.	III. Short Term Liabilities	142251		369212
14.	G. Accruals and Deferred Income	1222		19598
15.	Total Equity and Liabilities D+E+F+G	177607		480046

Budapest, 31st January 2009

COMPANY LAYOUT OF THE PROFIT AND LOSS ACCOUNT

 31.12.2008
 in thousand HUF

No.	Denomination	Previous year	Modifications of previous years	Current year
1.	I. Net Sales Revenues	248452		466331
2.	II. Capitalized Value of Own Performance			
3.	III. Other Revenues	1		
4.	IV. Material-Type Expenditures	151245		325080
5.	V. Payments to Personnel	70494		70912
6.	VI. Depreciation	2413		2475
7.	VII. Other Expenditures	10776		24863
8.	A. Profit of Operation I+II+III-IV-V-VI-VII	13525		43001
9.	VIII. Income from Financial Transaction	2277		10799
10.	IX. Expenditures of Financial Transaction	3253		8465
11.	B. Financial Profit or Loss VIII-IX	-976		2334
12.	C. Profit or Loss on Ordinary Activities A+B	12549		45335
13.	X. Extraordinary Income			
14.	XI. Extraordinary Expenditures	197		
15.	D. Extraordinary Profit or Loss Figure X-XI	-197		
16.	E. Pre-Tax Profit or Loss C+D	12352		45335
17.	XII. Tax Liabilities	3878		6114
18.	F. After-Tax Profit or Loss E-XII	8474		39221
22.	Dividends Paid of Accumulated Profit Reserve			
23.	Dividends Paid (Approved)			
21.	G. Balance Sheet Profit or Loss Figure F+22-23	8474		39221

Budapest, 31st January 2009

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% Horvath Karoly

The Company's main activity.

7420'03 Engineering activities, consultancy services.

The company decided in 2008 the merging with the EWB-MBE. International Environmental Ltd. In such a way that the EWB-MBE International Environmental Ltd. Merges into EWB Environmental Ltd.

The Court of Registry entered the merging with the date 31.12.2008.

The draft asset balance sheet and the draft asset inventory was prepared by the merging companies with the effective date 31.08.2008. The asset balance sheet and the asset inventory are prepared with the effective date 31.12.2008, on the strength of this balance sheet.

After the merging the ownership share will be the following

99% McNally Bharat Engineering Ltd. – India

1% Horvath Karoly

Market position

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 2007-2010. We should 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. Participation in the planning and delivering of equipments of the power-plant reconstruction in Kolubara Unit A5 (Serbia)
5. 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.

For compilation of the annual financial reports is responsible : Bosze-Halak Consulting Ltd. Halak Eva (reg. nr : 003374).

For the independent audit of the annual report is responsible : Interauditor Kft, 1125 Budapest, Szilagyi Erzsébet avenue 22/A (reg. nr: 000171).

Toth Julianna (reg. nr: 006646).

The fee for the auditing of this simplified annual report is HUF 1,430.00

The Company has paid a fee in value of HUF 700.000 for the audit company for the auditing of the interim balance sheet.

The asset balance sheet and the asset inventory is audited by Heliodor Consulting Ltd. (reg. nr : 002124), fee for the audit : HUF 500.000.

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's profitability has improved, but it has problems in liquidity.

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

Value of production :

Description	2007	2008
Annual net sales revenues	248452	466331
Capitalised value of own performance		
Cost of goods sold	-54506	-148357
Value of services sold	-22847	-38622
Value of production	171099	279352

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.

Description	Opening value	Addition	Disposal	Closing value
Gross value				
Rights representing money of monies worth				
Intellectual property	563			563
Real estate				
Technical tangible assets	4264			4264
Other tangible assets	10300	477	31	10746
Investments				
In quantity registered assets		181	181	
Total invested assets	15127	658	212	15573

Description	Opening value	Addition	Disposal	Closing value
Depreciation				
Rights representing money of monies worth				
Intellectual property	560	3		563
Real estate				
Technical tangible assets	2662	639		3301
Other tangible assets	5301	1652	31	6922
In quantity registered assets		181	181	
Total invested assets	8523	2475	212	10786
Net value				
Rights representing money or monies worth	0	–	–	0
Intellectual property	3	–	–	0
Real estate		–	–	
Technical tangible assets	1602	–	–	963
Other tangible assets	4999	–	–	3824
Investments	0	–	–	
Total invested assets	6604	–	–	4787

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 modeling 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 had 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 50000 in one amount at activation. Later these assets are recorded only in quantity.

The purchased automobile has only a residual value.

There was no loss on value, respectively rebooked value loss in 2008.

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 :

Description	2007	2008
Accounts receivables	96670	209696
Receivables from related company	0	
Deposit	1019	1019
Tax receivables	1351	
VAT receivables	13204	6760
VAT receivables	6235	9069
Other receivables	6	
Total receivable	118485	226544

Changes of equity in the financial year :

Description	Opening value	Addition	Disposal	Closing value
Subscribed capital	15000			15000
Accumulated profit reserve	925	8474	25054	-15655
Tied up capital		25054		25054
Net profit per balance sheet	8474	39221	8474	39221
Total equity	24399	72749	33528	63620

The net profit of the last year was HUF 8474 thousand, which sum increased the accumulated profit reserve.

From the accumulated profit reserve was HUF 25054 thousand reclassified to the tied up reserve for development purpose. In 2008 the net profit per balance sheet was HUF 39221 thousand which sum raised the accumulated profit reserve according to the owners decision.

The Company figured a provision in value of HUF 26870 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 has a prepayment from a debtor (Energoinvest, dd Sarajevo) which is insured by a bank guarantee in value of EUR 447565 at the end of 2008. The due date is 31.03.2009.

Liabilities :

Description	2007	2008
Investment credit-over 1 year maturity	1707	746
Total long term liabilities	1707	746
Investment credit – 1 year maturity	924	961
Other short term loan	9338	10062
Advances from debtors	36233	156477
Trade creditors	73016	187582
Short term liabilities to affiliated undertakings	4500	
Short term liabilities from dividend to affiliated undertakings	900	
Liabilities against tax authority and self-pension-funds	17340	12902
Liabilities from wages and salaries	0	1228
Total short term liabilities	142251	369212

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.

Description	2007	2008
Domestic revenues from Indian owner	-9447	
Domestic revenues from the Hungarian chain store of Slovak partner	16252	
Domestic revenues from the Polish chain store of Austrian partner	7435	
Domestic revenues from the Serbian partner	51444	
Domestic revenues from domestic partners	54484	172241
Total domestic revenues	120168	172241
Export revenue from the Indian owner		
Export revenues from Austrian partner (Polish chain)	114826	12814
Export revenues from Austrian partner	4556	4674
Export revenues from Serbian partner	16849	253986
Export revenues from Korean partner		7503
Export revenues from Saudi-Arabia		2358
Export revenues from Serbian partner (export to Bosnia-Herzegovina)	-7947	2430
Total export revenues	128284	294090
Description	2007	2008
7420'03 Engineering consulting	89953	142677
5190'03 Other wholesale	30215	29564
Total domestic revenues	120168	172241
7420'03 Engineering consulting		15555
5190'03 Other wholesale	128284	278535
Total export revenues	128284	294090

Break-down of material type and other services used :

Description	2007	2008
Rental fee	5389	6102
Legal activity	220	770
Accounting, tax expert, audit services	5528	5998
Accommodation and travelling costs	2312	2008
Transport and duty costs	2135	1995
Post, phone, internet costs	1425	1585
Planning and fulfillment	821	9885
Other services used	1999	1578
Total material type services used	19829	29921

Description	2007	2008
Bank costs	1128	5185
Insurance fee	536	623
Other services	247	336
Total other services	1911	6144

Break-down of financial result :

Description	2007	2008
Interest income on bank account	15	407
Booked FX changes	2262	10379
		13
Total financial revenues	2277	10799
Paid interest of credit investment	141	144
Paid interest to individual	232	503
Booked FX changes	2836	7764
Other items	17	54
Total financial expenditures	3253	8465

Extraordinary revenues was not accounted, extraordinary expense was not booked.

Corporate tax base modifying items and allowances (according to the general rules).

Description	Decreasing items	Increasing items	Tax allowance
Provision for guarantee liability		18842	
Tied up reserve	22500		
Depreciation according to the Tax Law (book value of assets led out)	2475		
Depreciation according to the Law on Accounting (net value of assets led out)		2475	
Released receivable		54	
Additional charge because of tax defaults, paid to the tax authority		863	
Paid tax on abroad		1033	
Tax base to this paid tax	758		
Total	26033	23267	0

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

Solidarity corporate tax base modifying items and allowances :

Description	Decreasing	Increasing
Released receivable	0	54
Paid tax on abroad		1033
Total	0	1087

The tax base modifying has no effect on the future.

The tax liability consists of corporate tax in value of HUF 4257 thousand and solidarity corporate tax in value of HUF 1857 thousand.

In 2008 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 date

Number and salaries of employees :

Description	2007	2008
Average statistical staff	10	11
Salaries	39586	40297
Commissions fee	6878	5172
Food contribution	1160	1584
Costs of inland and foreign delegation	4329	4611
Travel expenses allowances	610	801
Sick leave	87	1192

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.

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

Budapest, January 31, 2009

General Manager

DIRECTORS' REPORT

The Directors have pleasure in presenting the Annual Report together with the Audited Statements of Accounts of the Company for the year ended March 31, 2009.

OPERATIONAL REVIEW & PROSPECTS

Your Company was incorporated on March 7, 2008 as a limited company with the main object to carry on all or any of the business of fabricators, founders, moulders, welders etc.

The Company has not commenced its operations during the period under review. Hence Profit and Loss Account for the period under report has not been prepared. The preliminary expenses of Rs.55,104 and pre-operative expenses of Rs.35,110 incurred during the period since inception that is March 7, 2008 to March 31, 2009 have been shown under Miscellaneous Expenditure in the Balance Sheet.

DIVIDEND

No dividend has been considered since the Company is yet to commence its business.

DIRECTORS

Mr S Prasad, Mr M Bhasker and Mr N Roy were appointed as the first Directors of the Company. Mr Srinivash Singh was inducted as a Director on May 26, 2008.

SHARE CAPITAL

The Promoters have subscribed to the share capital as per their commitment in the Memorandum and Articles of the Company and currently the Paid Up Capital of the Company is Rs.1,000,000 consisting of 100,000 Equity Shares of Rs.10 each fully paid up.

AUDITORS

M/s ARNAB BASU & ASSOCIATES, Chartered Accountants, Auditor of the Company, retire and being eligible is recommended for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors Responsibility Statement, it is hereby confirmed:

1. That in preparation of the accounts for the period ended 31st March 2009, the applicable accounting standards have been followed along with proper explanation relating to material departure;
2. That the Directors have selected such accounting policies and applied them consistently and made judgment 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 period ended March 31, 2009 and of the preoperative expenses of the Company for the said period under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the accounts for the period ended March 31, 2009 on a 'going concern' basis.

PARTICULARS OF EMPLOYEES

The Company has no employee and hence provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 as amended by the Companies (Particulars of Employees) Amendment Rules, 1999 are not applicable to the Company.

ADDITIONAL INFORMATION

The statement pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1998 are not applicable to the Company since the Company is yet to start its activities.

FOREIGN EXCHANGE TRANSACTIONS

Foreign Exchange Earnings	–	Nil
Foreign Exchange Expenses	–	Nil

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the support and co-operation received at all levels.

Arnab Basu, Proprietor
Membership No. 059349
For **Arnab Basu & Associates**
Chartered Accountants
Kolkata, 6th May, 2009

For and on behalf of the Board

Srinivash Singh - Director

Shambhu Prasad - Director



AUDITORS' REPORT

To the members of
McNALLY BHARAT EQUIPMENTS LIMITED

We have audited the attached Balance Sheet of **McNALLY BHARAT EQUIPMENTS LIMITED** as at March 31, 2009 and also the Cash Flow Statement for the period from March 3, 2008 to March 31, 2009, annexed thereto. 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.

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 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 provides a reasonable basis for our opinion.

Further we report that :

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account, as required by law, have been kept by the Company so far as it appears from our examination of those books;
- (c) The Balance Sheet and the Cash Flow Statement referred to in this Report are in agreement with the books of account;
- (d) In our opinion, the accounts comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act 1956;
- (e) On the basis of written representations received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, together with the notes thereon and attached thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (i) In the case of the Balance Sheet of the state of affairs of the Company as at March 31, 2009.
 - (ii) In the case of the Cash Flow Statement, of the cash flows for the period from March 3, 2008 to March 31, 2009.

Kolkata, 6th May, 2009

Arnab Basu
Proprietor
Membership Number : 059349
For and on behalf of
Arnab Basu & Associates
Chartered Accountants

BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedule		31st March 2009 Rs.
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	1		1,000,000
Loan Funds			
Unsecured Loans	2		90,214
			<u>1,090,214</u>
APPLICATION OF FUNDS			
Current Assets, Loans & Advances			
Cash & Bank Balances	3	1,010,000	
		<u>1,010,000</u>	
Less :			
Current Liabilities & Provisions			
Current Liabilities	4	10,000	
		<u>10,000</u>	
Net Current Assets			1,000,000
Miscellaneous Expenditure (To the extent not written off/adjusted)			
Preliminary Expenses		55,104	
Preoperative Expenses		35,110	
		<u>90,214</u>	
			<u>1,090,214</u>
Notes on Accounts	5		

Arnab Basu, Proprietor
Membership No. 059349
For **Arnab Basu & Associates**
Chartered Accountants
Kolkata, 6th May, 2009

Srinivash Singh - Director
Shambhu Prasad - Director

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2009

	03.03.2008 to 31.03.2009 Rs.
INCOME	-
EXPENDITURE	
Rates & Taxes	3,900
Filing Fees	900
Professional Charges	19,278
Audit Fees	10,000
Miscellaneous Expenses	1,032
	<u>35,110</u>
Profit/ (Loss) before Depreciation & Taxation	(35,110)
Depreciation	-
Profit/(Loss) before Taxation	(35,110)
Provision for Taxation	-
Profit /(Loss) After Taxation	(35,110)
Balance transferred to Balance Sheet	<u>(35,110)</u>
Notes on Accounts	5

The Schedule referred to above forms an integral part of the Profit & Loss Account
In terms of our Report of even date.

Arnab Basu, Proprietor
Membership No. 059349
For **Arnab Basu & Associates**
Chartered Accountants
Kolkata, 6th May, 2009

Srinivash Singh - Director
Shambhu Prasad - Director



CASH FLOW STATEMENT FOR THE PERIOD MARCH 3, 2008 TO MARCH 31, 2009

	03.03.2008 to 31.03.2009 Rs.
Particulars	
Cash Flow from Operating Activities	
Net Profit before tax	-
Operating Profit before Working Capital Changes	-
Adjustments for :	
Current Liabilities and Provisions	10,000
Cash Generated from Operations	10,000
Net Cash Flow from Operating Activities	10,000
Cash Flow from Investing Activities	
Preliminary Expenses incurred	(55,104)
Preoperative Expenses incurred during the construction period	(35,110)
Net Cash Flow used in Investing Activities	(90,214)
Cash Flow from Financing Activities	
Share Capital	1,000,000
Unsecured Loan	90,214
Net Cash used in Financing Activities	1,090,214
Net Increase/(Decrease) in Cash and Cash Equivalents	1,010,000
Cash and Cash Equivalents as at 31-03-2009	1,010,000

In terms of our Report of even date.

Arnab Basu, Proprietor
Membership No. 059349
For **Arnab Basu & Associates**
Chartered Accountants
Kolkata, 6th May, 2009

Srinivash Singh - Director
Shambhu Prasad - Director

SCHEDULES TO THE BALANCE SHEET

	31st March 2009 Rs.
Schedule 1 : Share Capital	
Authorised	
100,000 Equity Shares of Rs.10/- each	1,000,000
Issued, Subscribed & Paid up	
100,000 Equity Shares of Rs.10 each fully paid up	1,000,000
	1,000,000
Note : of the above 99,400 equity shares are held by McNally Bharat Engineering Company Limited, the holding company .	
Schedule 2 : Unsecured Loans	
From McNally Bharat Engineering Co. Ltd, the holding Company	90,214
	90,214
Schedule 3 : Cash and Bank Balances	
Balances with Schedule Banks- Current Account	1,010,000
	1,010,000
Schedule 4 : Current Liabilities	
Liabilities for Expenses	11,000
	11,000

SCHEDULES TO THE BALANCE SHEET (Contd.)

Schedule 5 : Notes on Accounts

1. Incorporation of the Company

The Company was incorporated on 3rd of March, 2008 as a limited company.

The Company had not commenced its operations during the period under review.

2. Significant Accounting Policies

Accounting Convention

a) The financial statements have been prepared on accrual basis under the historical cost convention and in conformity in all material aspects with the generally accepted accounting principles in India and Accounting Standards issued by the Institute of Chartered Accountants of India and the requirements of the Companies Act, 1956.

b) Preliminary and Pre-operative Expenses

Preliminary and preoperative expenses are to be written off over a period of five years starting from the commencement of commercial operation.

3. The Company has not commenced commercial operating activities. Hence, Profit and Loss Account for the period under report has not been prepared. In view of this, the following pre-operative expenses incurred during the period 3rd March 2008 to 31st March 2009 have been shown under Miscellaneous Expenditure in the Balance Sheet.

Particulars	As at 31st March 2009 Rs.
Audit Fees	11,030
Filing Fees	1,200
Rates and Taxes	3,900
Professional Charges	18,978
Miscellaneous Expenses	1,032
	<hr/> 36,140 <hr/>

4. Remuneration paid to Directors Rs Nil

5. Audit Fees include :

Statutory Audit Fees : Rs.10,000

6. Contingent Liabilities: There is no acknowledged contingent liability as on 31.03.2009.

7. Information pursuant to the paragraphs 3(i)(a), 3(ii)(a), 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 : Not Applicable

8. This being the first period, the regrouping and rearranging of previous year's figures do not arise.

Srinivash Singh - Director

Shambhu Prasad - Director

Kolkata, 6th May, 2009



DIRECTORS' REPORT

The Directors have pleasure in presenting the Annual Report together with the Audited Statements of Accounts of the Company for the year ended March 31, 2009.

OPERATIONAL REVIEW & PROSPECTS

Your Company was incorporated on March 3, 2008 as a limited company with the main object to carry on all or any of the business of infrastructure projects and other infrastructural development projects, estates, logistics etc.

The Company has not commenced its operations during the period under review. Hence Profit and Loss Account for the period under report has not been prepared. The preliminary expenses of Rs.55,614 and pre-operative expenses of Rs.36,140 incurred during the period since inception that is March 3, 2008 to March 31, 2009 have been shown under Miscellaneous Expenditure in the Balance Sheet.

DIVIDEND

No dividend has been considered since the Company is yet to commence its business.

DIRECTORS

Mr P K Ghosh, Mr P K Chandra and Mr A Sarkar were appointed as the first Directors of the Company. Mr Srinivash Singh was inducted as a Director on May 26, 2008.

SHARE CAPITAL

The Promoters have subscribed to the share capital as per their commitment in the Memorandum and Articles of the Company and currently the Paid Up Capital of the Company is Rs.1,000,000 consisting of 100,000 Equity Shares of Rs.10 each fully paid up.

AUDITORS

M/s J F DASTOOR & CO, Chartered Accountants, Auditor of the Company, retire and being eligible is recommended for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors Responsibility Statement, it is hereby confirmed:

1. That in preparation of the accounts for the period ended 31st March 2009, the applicable accounting standards have been followed along with proper explanation relating to material departure;
2. That the Directors have selected such accounting policies and applied them consistently and made judgment 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 period ended March 31, 2009 and of the preoperative expenses of the Company for the said period under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the accounts for the period ended March 31, 2009 on a 'going concern' basis.

PARTICULARS OF EMPLOYEES

The Company has no employee and hence provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 as amended by the Companies (Particulars of Employees) Amendment Rules, 1999 are not applicable to the Company.

ADDITIONAL INFORMATION

The statement showing particulars pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1998 are not applicable to the Company since the Company is yet to start its activities.

FOREIGN EXCHANGE TRANSACTIONS

Foreign Exchange Earnings	-	Nil
Foreign Exchange Expenses	-	Nil

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the support and co-operation received at all levels.

J. F. Dastoor, Partner
Membership No. 002473
For **J. F. Dastoor & Co.**
Chartered Accountants
Kolkata, 30th May, 2009

For and on behalf of the Board
Srinivash Singh - Director

Prabir Ghosh - Director

AUDITORS' REPORT

To the members of
McNALLY BHARAT INFRASTRUCTURE LIMITED

We have audited the attached Balance Sheet of **McNALLY BHARAT INFRASTRUCTURE LIMITED** as at March 31, 2009 and also the Cash Flow Statement for the period from March 3, 2008 to March 31, 2009, annexed thereto. 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.

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 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 provides a reasonable basis for our opinion.

Further we report that :

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account, as required by law, have been kept by the Company so far as it appears from our examination of those books;
- (c) The Balance Sheet and the Cash Flow Statement referred to in this Report are in agreement with the books of account;
- (d) In our opinion, the accounts comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act 1956;
- (e) On the basis of written representations received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, together with the notes thereon and attached thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (i) In the case of the Balance Sheet of the state of affairs of the Company as at March 31, 2009.
 - (ii) In the case of the Cash Flow Statement, of the cash flows for the period from March 3, 2008 to March 31, 2009.

Kolkata, 30th May, 2009

J. F. Dastoor
Partner
Membership Number : 002473
For J. F. Dastoor & Co.
Chartered Accountants



BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedule	31st March 2009 Rs.
SOURCES OF FUNDS		
Shareholders' Fund		
Share Capital	1	1,000,000
Loan Funds		
Unsecured Loans	2	90,724
		<u>1,090,724</u>
APPLICATION OF FUNDS		
Current Assets, Loans & Advances		
Cash & Bank Balances	3	1,010,000
		<u>1,010,000</u>
Less :		
Current Liabilities & Provisions		
Current Liabilities	4	11,030
		<u>11,030</u>
Net Current Assets		998,970
Miscellaneous Expenditure		
(To the extent not written off/adjusted)		
Preliminary Expenses		55,614
Preoperative Expenses		36,140
		<u>91,754</u>
		<u>1,090,724</u>
Notes on Accounts	5	

J. F. Dastoor, Partner
Membership No. 002473
For J. F. Dastoor & Co.
Chartered Accountants
Kolkata, 30th May, 2009

Srinivash Singh - Director
Prabir Ghosh - Director

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2009

	03.03.2008 to 31.03.2009 Rs.
INCOME	-
EXPENDITURE	
Rates & Taxes	3,900
Filing Fees	1,200
Professional Charges	18,978
Audit Fees	10,030
Miscellaneous Expenses	1,032
	<u>36,140</u>
Profit/ (Loss) before Depreciation & Taxation	(36,140)
Depreciation	-
Profit/(Loss) before Taxation	(36,140)
Provision for Taxation	-
Profit/(Loss) After Taxation	(36,140)
Balance transferred to Balance Sheet	<u>(36,140)</u>
Notes on Accounts	5

The Schedule referred to above forms an integral part of the Profit & Loss Account
In terms of our Report of even date.

J. F. Dastoor, Partner
Membership No. 002473
For J. F. Dastoor & Co.
Chartered Accountants
Kolkata, 30th May, 2009

Srinivash Singh - Director
Prabir Ghosh - Director

CASH FLOW STATEMENT FOR THE PERIOD MARCH 3, 2008 TO MARCH 31, 2009

03.03.2008 to 31.03.2009
Rs.

Particulars

Cash Flow from Operating Activities

Net Profit before tax

—

Operating Profit before Working Capital Changes

—

Adjustments for :

Current Liabilities and Provisions

10,030

Cash Generated from Operations

10,030

Net Cash Flow from Operating Activities

10,030

Cash Flow from Investing Activities

Preliminary Expenses incurred

(55,614)

Preoperative Expenses incurred during the construction period

(36,140)

Net Cash Flow used in Investing Activities

(91,754)

Cash Flow from Financing Activities

Share Capital

1,000,000

Unsecured Loan

90,754

Net Cash used in Financing Activities

1,090,724

Net Increase/(Decrease) in Cash and Cash Equivalents

1,010,000

Cash and Cash Equivalents as at 31-03-2009

1,010,000

In terms of our Report of even date.

J. F. Dastoor, Partner
Membership No. 002473
For **J. F. Dastoor & Co.**
Chartered Accountants
Kolkata, 30th May, 2009

Srinivash Singh - Director

Prabir Ghosh - Director

SCHEDULES TO THE BALANCE SHEET

31st March 2009
Rs.

Schedule 1 : Share Capital

Authorised

100,000 Equity Shares of Rs.10/- each

1,000,000

Issued, Subscribed & Paid up

100,000 Equity Shares of Rs.10 each fully paid up

1,000,000

1,000,000

Note : of the above 99,400 equity shares are held by McNally Bharat Engineering Company Limited, the holding company .

Schedule 2 : Unsecured Loans

From McNally Bharat Engineering Co. Ltd, the holding Company

90,724

90,724

Schedule 3 : Cash and Bank Balances

Balances with Schedule Banks- Current Account

1,010,000

1,010,000

Schedule 4 : Current Liabilities

Liabilities for Expenses

11,030

11,030



SCHEDULES TO THE BALANCE SHEET (Contd.)

Schedule 5 : Notes on Accounts

1. Incorporation of the Company

The Company was incorporated on 3rd of March, 2008 as a limited company.

The Company had not commenced its operations during the period under review.

2. Significant Accounting Policies

Accounting Convention

a) The financial statements have been prepared on accrual basis under the historical cost convention and in conformity in all material aspects with the generally accepted accounting principles in India and Accounting Standards issued by the Institute of Chartered Accountants of India and the requirements of the Companies Act, 1956.

b) Preliminary and Pre-operative Expenses

Preliminary and preoperative expenses are to be written off over a period of five years starting from the commencement of commercial operation.

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4. Remuneration paid to Directors Rs Nil

5. Audit Fees include :

Statutory Audit Fees : Rs.10,000

6. Contingent Liabilities: There is no acknowledged contingent liability as on 31.03.2009.

7. Information pursuant to the paragraphs 3(i)(a), 3(ii)(a), 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 : Not Applicable

8. This being the first period, the regrouping and rearranging of previous year's figures do not arise.

Srinivash Singh - Director

Kolkata, 30th May, 2009

Prabir Ghosh - Director



McNally Bharat Engineering Co. Limited

4 Mangoe Lane, 4th, 5th & 7th Floor, Kolkata 700001

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