

b e y o n d
e n g i n e e r i n g

2009-10

annual report

2009 - 10

annual report

Directors

Deepak Khaitan | Chairman
Shanti Prasad Singhi | Vice Chairman
Virendra Kumar Verma
Sanjay Kumar Pasari
Utsav Parekh
Chandrakant Pasari
Amritanshu Khaitan
Subir Ranjan Dasgupta
Asim Kumar Barman
(with effect from December 1, 2009)
Srinivash Singh
(upto june 17, 2010)

Executive Committee

Prabir Ghosh, President & CFO
Prasanta Kumar Chandra, President (Operations)

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
P +91 33 22138901-05 **F** +91 33 22303519

Corporate Office

Ecospace 11F/12 (Old Plot No AA II/Blk 3)
New Town Rajarhat North 24 Parganas
Kolkata 700 156 India
T +91 33 3014 1111/6628 1111
F +91 33 3014 2277/6628 2277
W www.mcnallybharat.com

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
T +91 33 2243 5029/5809

contents...

The Journey Begins	3
The Flag and the Symbol	4
The Horizon and the Pedestal	5
The Arms of Expansion	6
The Peaks of Achievement	7
The Crew	8
New Vision, Mission & Strategy	9 – 11
Chairman's Letter	12
Directors' Report	14
Annexure A to the Directors' Report – Conservation of Energy etc.	21
Annexure B to the Directors' Report – Particulars of Employees	22
Annexure C to the Directors' Report – Management discussion and analysis	23 – 24
Annexure D to the Directors' Report – Financial information of Subsidiaries	25
Annexure E to the Directors' Report – Persons constituting Group etc.	26
Annexure F to the Directors' Report – Corporate Governance	27 – 36
Auditors' Certificate on Corporate Governance	37
Auditors' Report & Annexure on standalone accounts	38 – 41
Standalone Accounts	42 – 62
Standalone Cash Flow Statement	63 – 64
Statement regarding subsidiary companies	65
Balance Sheet Abstract	66
Auditors' Report on Consolidated Accounts	67
Consolidated Accounts	68 – 87
Consolidated Cash Flow	88 – 89

The

The story of MBE is a journey. A journey of engineering excellence and innovative passion. A saga of not only touching new benchmarks but also continuously going beyond them. Today MBE has grown globally.

It all started from the small town of Kumardhubi in the Dhanbad district, approximately 220 km from Kolkata. McNally Bharat Engineering was then called McNally Bird, manufacturing equipment for the coal and mining industry.

Journey

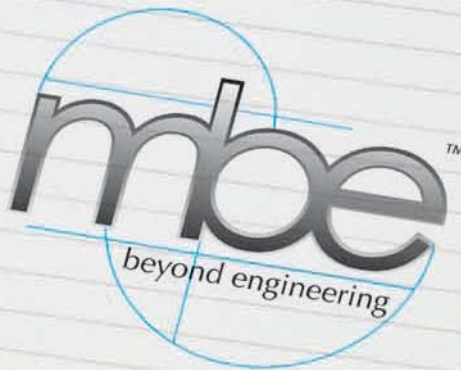
Today our domains have diversified. MBE is one of the top-notch EPC project implementers, with more than 300 projects under its belt. Its success hinges on complete customer delight, in varied segments of Power, Steel, Coal & Mining, Aluminium, Ports, Material Handling, Mineral Processing and other infrastructure sectors. We manufacture products for all these sectors and more through our subsidiary, McNally Sayaji Engineering Limited (MSEL).

Begins . . .

At MBE we believe in providing holistic solutions to our clients, which is why our customers fall back to us, where they brief us and leave us to do everything from conception to commissioning. What gives them their true delight is that we deliver on time, every time. This is not only our principle, but also our insatiable obsession. Which is why we stand for exploration, innovation and excellence... in engineering.



The Flag & The Symbol...



This new MBE logo carries the entire connotation of our identity. It is a graphic representation of MBE's ambitions, reach and philosophy.

MBE has a global engineering presence and is a giant in EPC management. Every project we undertake starts at the drawing board and culminates at execution, within the given timelines. The products we manufacture under our own roof are engineered to last for a long time under severe operating conditions, while collaboration with the world leaders adds a world class cutting edge to all our projects.

The logo carries the nuances of all these factors...

It plays with engineering design forms. The fine lines and the arches represent precision and skill, the hallmark of engineering creativity while the dome signifies global reach. It also captures MBE's all encompassing engineering excellence.

The sleek blue lines of the dome, depicting the horizon, hold together MBE, which is written in steel grey, connoting the sleekness and strength of the future of engineering.

The logo is futuristic, yet almost global in shape like a graphic map of the world completely in sync with MBE as a futuristic engineering solution provider at a global level.



The Horizon and the Pedestal...

At MBE we strive to go Beyond Engineering. We believe in pushing barriers and standards consistently. Like a prism this philosophy reflects the radiance of success and has six sides.

Engineering Giant

The steady growth of the company and the complete trust our customers place in us, with the diverse sectors MBE puts its footprints of success in, points us to premier league of engineering companies, helping us evolve as an engineering giant.

Global Player

Our worldclass technology and spirit of innovation, international work culture and presence in several countries has turned us into a global player.

Superior Technology

Our technology is a cut above because we are not only implementers but also inventors of technology. We believe, technology is a tool that needs to be constantly honed and moulded to real life needs. This is a key strength that we have developed over the years.

Futuristic Solutions

We don't believe a problem has been solved unless it has been solved for today and for the foreseeable future. Which is why we have built reputation of providing futuristic solutions.

Advanced Products

Our products are constantly evolving to suit different needs. They match our craving for excellence and precision. Our newfound hunger for developing world beating solutions has given us this amazing array of advanced products.

Complete Turnkey Solutions

All these factors together make us total solution providers in the engineering sector. Building strong foundations for complete turnkey answers to any challenge. Today, these six pillars, make MBE's dreamlike success story, a measurable reality.

The Arms of Expansion...



Mastering the unknown is a hallmark of MBE's ability. This has helped our growth in several sectors simultaneously. The three hundred plus successful projects under our belt cover a wide spectrum, from Bulk Material Handling, Mineral Processing, Coal Washery, and Balance of Plant (BOP) in Power Plants, Steel, Aluminium, Port & Shipyard Cranes, Cement, Infrastructure as well as Water Management sectors.

The main areas bearing our stamp of success are...

Material Handling and Non-Ferrous Metals Group have 2 separate SBUs. MBE are pioneers in Material Handling sector and have executed over 150 projects from 500TPH to 20,000TPH capacities. We provide bulk Material Handling systems in various industries like coal, mineral, steel, power & infrastructure.

MBE has technology for mineral beneficiation of zinc, lead, copper, gold, uranium, fluorspar, rock phosphate, graphite, lime and has built most of the plants in India, besides few overseas projects on a turnkey basis. With its acquisition of Coal & Mineral business of KHD Humboldt Wedag, Germany, known for its cutting edge technology in coal & iron ore beneficiation, MBE has become a global player for turnkey solutions in mineral processing industries.

Power Group has 3 separate SBUs dealing with Ash Handling and Water, Balance of Plant (BOP) and Operations & Management. MBE entered into Ash Handling Projects in 2000 after acquiring EWB, Hungary, a world leader with over 70 years experience in Ash Handling Systems.

MBE is now a major EPC contractor in the entire field of

water management and has collaboration with Hyflux, Singapore for Desalination Plants. MBE is today geared to take up Balance of Plant (BOP) projects and presently is executing two projects.

Steel, Ports and Mining Group has 3 separate SBUs. The STEEL SBU has a strong presence in the sector to execute turnkey projects like Sinter Plants, By Product Plants, Material Handling etc. Presently a Sinter Plant at Vizag Steel and a By Products Plant at SAIL, IISCO, Burnpur is under execution. In collaboration with KCI Cranes, Finland, the Port SBU manufactures Port & Shipyard equipment like Container Handling cranes, Bulk Material Handling cranes & Shipyard cranes.

The MINING SBU is geared to undertake Iron Ore Beneficiation and Pelletisation Plants with technology accumulated from global leaders.

The INFRASTRUCTURE GROUP provides Design Engineering & Construction Services. MBE is equipped with the latest designing software and a large inventory of construction equipment and is capable of taking up large sized Infrastructure Projects.

MBE has recently forayed into new businesses to offer EPC Solutions in Oil & Gas, Cement and Nuclear Power besides creating an International Business Unit for overseas projects.

The Peaks of Achievement...

Five Year Financial Highlights					
Five Year Financial Highlights					(Rs Crore)
Item	2006	2007	2008	2009*	2010*
Total Income	335	510	550	1139.70	1815.45
EBIDTA	18.07	30.82	43.44	127.69	148.70
PBT	6.6	20.08	32.3	81.98	89.75
PAT	5.25	17.5	22.4	53.18	56.66
Gross Dividend payout	1.51	3.13	3.7	4.72	5.49
Balance Sheet					
Item	2006	2007	2008	2009*	2010*
Share Capital	26.46	26.78	28.68	31.09	31.09
Reserves	52.40	69.48	129.30	176.64	229.39
Net Worth	68.81	88.65	152.78	207.73	262.86
Loan Funds	79.54	117.28	62.64	213.50	348.49
Capital Employed	159.50	214.25	221.77	447.81	682.17
Net Fixed Assets	52.91	56.56	80.52	236.89	324.90
Net Working Capital	103.38	153.07	126.54	209.35	354.53
Ratios & Statistics					
Item	2006	2007	2008	2009*	2010*
EBIDTA / Total Income (%)	5.39	5.94	7.89	11.20	8.19
PBT / Total Income (%)	1.97	3.87	5.87	7.19	4.94
Debt: Equity Ratio	1.17:1	1.32:1	0.40:1	1.03:1	1.33:1
ROCE (%)	12.95	15.11	15.4	28.51	21.80
RONW (%)	15.40	22.22	20.42	44.04	40.37
Current Ratio (Times)	1.61	1.65	1.29	1.29	1.27
Earnings per Share (Rs)	2.26	6.60	8.10	14.01	15.92

Note

ROCE = Return on Capital Employed

RONW = Return on Net Worth

*Consolidated Figure



The Crew...

MBE understands that it is the human mind that creates new technologies, new strategies, and new dreams. It is the human brain, which can aspire to go beyond. Our engineers are recruited from the best technical institutes in the country. We have a special training program that helps them to develop their knowledge and skills on MBE products & services, before they begin their professional journey.

Safety of our employees is a chief concern at MBE. We formed our Safety Committee on November 14, 2002. We have achieved excellent safety records at Project sites and in our factories. Man power is that foundation on which MBE's success reaches new heights and aspirations soar, beyond boundaries.





New Vision, Mission & Strategy Statement

Our Vision is

We shall be a growth-oriented global organization, delighting our stake-holders through innovation and excellence in all our activities.

We shall be a learning organization, focused on competence enhancement and people involvement.

We shall demonstrate high standards of Corporate Governance and commitment towards environment and society.

Our Mission is to

Grow continually in terms of the expanding ambit of our business, making forays into newer and newer areas.

Maintain high standards of quality in all our products and services.

Employ, develop and retain high standards of human resources.

Enable and empower our people at all levels to enrich themselves as individuals and as members of a team, guided by a set of standards for accountability & integrity.

Serve the society within which we operate to enhance the Quality of Life around.



Our Strategies are

- To expand our business globally in diverse areas, both organically and inorganically.
- To provide all times, on time services to our customers.
- To establish partnership with technology providers of international repute.
- To ensure strict adherence to quality assurance and safety norms of international level.
- To rapidly enhance activities of Centre of Engineering Excellence by Design Automation, Product Development and Research.
- Use of contemporary advances in Science and Technology, including IT and IT-enabled services.
- To develop high standards of skill for adopting stringent pollution control norms and move towards green revolution (environment/world/earth).
- To improve productivity, reduce wastage and optimize utilization of resources.
- Enable and empower our people at all levels to enrich themselves as individuals.
- To develop high standards of human resources by employing and retaining best quality people, enhancing their knowledge and skill by providing top quality education and training.

Strategies



Dear All,

In the year 2009-10 Indian economy saw a remarkable recovery from the economic crash of 2008-09. The GDP grew by 7.4%, whereas the manufacturing and mining sectors saw significant growth rates by 8.9% and 8.7% respectively. We expect the economic growth to sustain at a healthy rate of around 9% for the last two years of the Sixth Five Year Plan period ending in 2012.

Outlook for 2010-15

The Thermal Power sector remaining our main growth driver, a 75,000 MW addition in power generation capacity is expected during this period. An addition of 24 million tons of steel capacity is in the offing as well in 2010-15, most of which will be from private sectors with capacity addition of around 70 million tons of Iron ore Beneficiation & 45 million tons of pelletisation plants. With the financial growth, an increase in demand can also be foreseen. Around 200 million tons of coal washery capacity will be required and the ports will require 750 million tons of additional cargo handling capacity to meet export / import demand during this period.

The Aluminium sector is expected to boom as well. Alumina refining capacity is expected to grow from 4.5 million tons to 17 million tons while the smelting capacity will see a growth from 1.3 million tons to 5.5 million tons. In the domain of Mineral Beneficiation of Non Ferrous Metals like Copper, Zinc, Lead, Uranium & Limestone, five to six new projects are expected to happen. We are confident of achieving our goal of a group turnover of Rs 7,000 Crore by 2014-15. This confidence is built on our sound investment plans for the next five years and the recent venture into fields of Oil & Gas, Cement EPC and Nuclear Power.

The year that was

Last year has been an eventful year for MBE. We acquired the Coal & Mineral Technology (CMT) Division from KHD Humboldt Wedag, Germany.

Our target was to go global; to establish us firmly among the legion of internationally famed engineering, manufacturing and construction companies. The dream of becoming a one billion dollar US company is very near realization now. Through this acquisition, we soon intend to make our mark across the world, in different countries of Europe, Australia, South America, Africa, and Middle East.

Our global spread, enhanced resources, new age manpower skills drove us to find the workplace that reflects and evolves our identity. Our new Head Office at Ecospace is situated in sprawling greenery and a Green Building of international standards, complete with every state-of-the-art amenities and facility. A place where ambitions turn into realities and dreams soar.

All our manufacturing units around the country are running to capacity. Our factories situated in geographically strategic locations are fully equipped to produce world-class equipment. With our new manufacturing unit at Cologne in Germany, our entire vista of production matches European quality standards. Sure footedly we are walking the path of progress with our modified Vision, Mission and Strategy. At MBE, together we evolve on the path of success, walking towards the golden horizon of a better tomorrow.

On another note, I would like to inform you that Mr Srinivash Singh has decided to step down from the services of MBE as its Managing Director, with effect from 17 June 2010, after serving the company for 42 years, since 1968. We all appreciate his immense contribution in making MBE one of the leading Engineering company in India, today.

Our heartfelt greetings and warm regards to all.



Deepak Khaitan
Chairman





Directors' Report

Directors' Report

Your Directors have great pleasure in presenting the Forty seventh Annual Report together with audited statement of accounts for the year ended 31st March 2010.

Highlights

The key highlights of the operations for the financial year 2009-10 over the previous year are:

- Total income increased by 53%
- Earnings before Interest, Depreciation and taxes increased by 40%
- Proposed dividend per share Rs 1.50

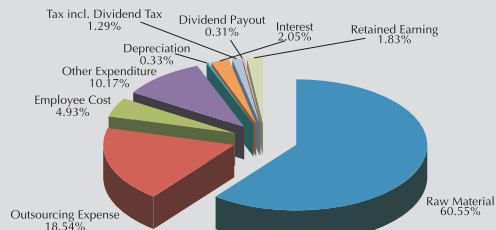
Financial Results

PARTICULARS	Rs In Lacs	
	Stand Alone Year Ending 31.03.2010	Consolidated Year Ending 31.03.2010
Sales (net of excise) and other income	148,736	181,545
Profit before Interest, Depreciation, Tax & amortisation (EBIDTA)	8,870	14,870
Less: Interest & Finance Charges	3,050	4,258
Earnings before Depreciation, Tax and amortisation (EBDTA)	5,820	10,612
Less: Depreciation & amortisation	496	1,637
Profit before Tax	5,324	8,975
Less: Provision for Taxation (including Deferred Tax)	1,855	3,309
Profit after Tax and before Minority Interest	3,469	5,666
Less: Minority Interest & proportionate share of pre-acquisition profit adjusted with goodwill	-	715
Profit after Tax and Minority Interest	3,469	4,951
Amount brought forward from previous year	7,145	8,083
Profit available for Appropriations	10,614	13,034
Proposed for Dividend	466	466
Provision for Dividend Tax	62	83
Transfer to General Reserve	181	181
Balance carried forward to Balance Sheet	9,905	12,304

Operations & Business Performance

Your Directors are pleased to report that 2009-10 turned out to be yet another record year during which your company achieved highest ever Turnover and profits. The total income for the year was Rs 1,487 Crore as against Rs 996 Crore during the previous year.

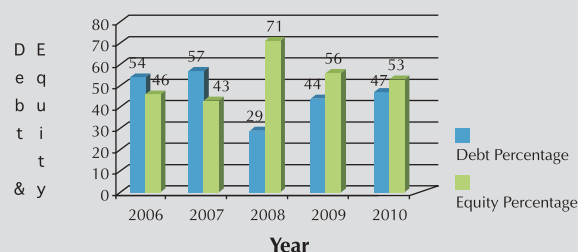
DISTRIBUTION OF INCOME (FY 2010)



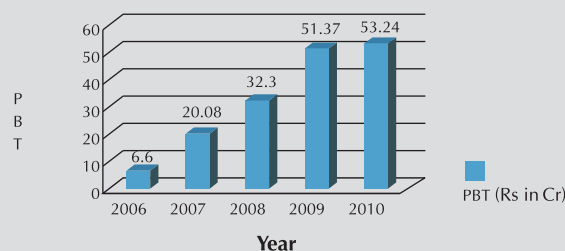
INCOME



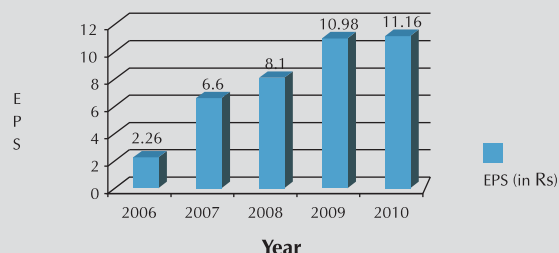
GEARING



PBT



EPS



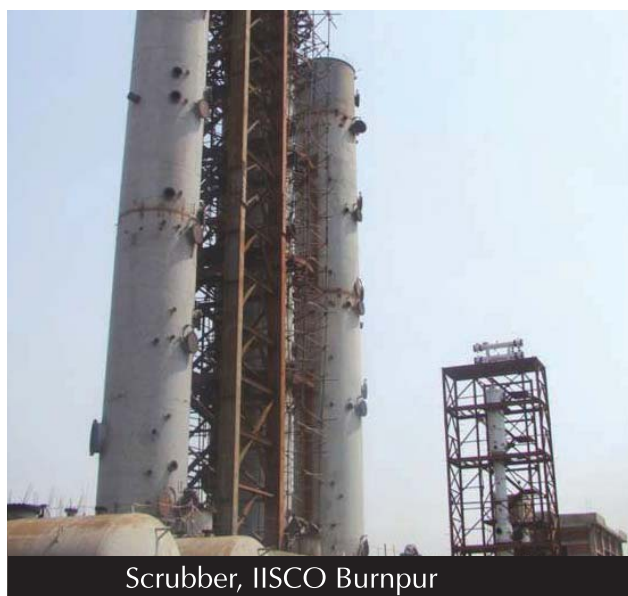
*Charts are based on standalone figures

Order Book

Your company has an order backlog of Rs 3090 crore as on 31st March 2010.

During the year your company bagged several significant orders which are currently under execution.

- Coal handling Plant for NTPC, Bongaigaon valued at Rs 436 crore
- Balance of Plant for Ideal Power Ltd, for their Nagpur plant (110 MW) valued at Rs 414 crore
- Coal Handling plant for Rourkela Steel Plant (SAIL) valued at Rs 304 crore
- Lead Zinc Beneficiation plant for SK Mines of HZL valued at Rs 284 crore
- Coal Handling Plant for MCL, Bharatpur valued at Rs 173 crore
- Blast Furnace Stock House for RSP (SAIL) valued at Rs 165 crore
- Coal Handling Plant for KPCL/BHEL at Bellary for Rs 152 crore
- Water Treatment System for BOF & CPP at IISCO valued at Rs 116 crore
- Green Anode Plants for HINDALCO at Mahan valued at Rs 90 crore & at Aditya valued at Rs 89 crore
- Ash Handling Plant for NTPC at Bongaigaon valued at Rs 82 crore
- Ash Handling Plant for ESSAR at Mahan valued at Rs 70 crore
- Reclaimer at Paradip valued at Rs 31 crore
- Water treatment plant for NTPC at Barh valued at Rs 31 crore



Scrubber, IISCO Burnpur



Mill House & Fine Crushing Building, UCIL, Tumalapally

Project Execution

During the year more than 50 projects were at various stages of execution. Some of the major projects which are expected to be completed during 2010-11 are:

- Sinter plant 3 for Vizag Steel Plant
- The Raw Material Handling Plant for IISCO Burnpur
- The Lead-Zinc Beneficiation Plant for SK Mines of HZL
- The By Products Plant for IISCO, Burnpur
- The Uranium Beneficiation Plant for UCIL at Tumalapally
- The Green Anode Plants 3 & 4 for VEDANTA at Jharsuguda
- The Coal Handling Plant for GSPC/BHEL at Ukai
- Goliath Crane at Mazagaon docks
- Stacker Reclaimer for Adani at Mundra Port
- Stacker Reclaimer at Salaya for ESSAR
- Wagon Tippler for Vizag Steel

Activity Highlights

Your company implemented the Oracle based ERP system across all Divisions during the year. PWC were the implementing Consultants.

Your company has signed a collaboration agreement in January 2010 with Hyflux, Singapore for jointly bidding for desalination plants in the power sector.

During the year we appointed KPMG for valuable Advisory assistance in Strategic & Business Planning. They have submitted their Report covering Business Plan Projections for the 5 year period 2010-15 and have also assessed additional business from new businesses with the goal to achieve Rs 7,000 crore turnover for the Group by 2015. Their study also involved preparing the Financing strategy for our growth Plans and also review the key Business Process capabilities for the EPC business.

We had also appointed PWC to propose recommendations on



Ball Mill, HZL, Rampur Agucha



Vedanta GAP 3 & 4

organization transformation and re-structuring. Their scope of work covered developing the organizational structure to handle future growth, design of Performance Management System, Talent & Leadership development and change management.

We engaged Ernst & Young for a diagnostic review of operational processes across the company.

Three new Business divisions were set up during the year. The Cement EPC group have signed an MOU with KHD Humboldt International to jointly bid for turnkey contracts in setting up cement plants, where Humboldt provides the technology & key products and MBE executes the Project. The Oil & Gas group is focusing primarily on the Civil & Mechanical Packages and plans to graduate in the next 2 to 3 years to executing EPC projects in Refineries. The Nuclear Group is focused on obtaining EPC projects in Non Nuclear Island such as BOP for the forthcoming Nuclear Power Plants being set up by NPCIL and foreign companies.

The INTERNATIONAL Division has been formed to primarily focus on Middle East, South East Asia, Bangladesh & African countries for EPC projects and also in countries where MBE CMT Group (formerly KHD Humboldt Wedag) has a strong presence to leverage the Humboldt brand and customer base.



Primary Gas Cooler, IISCO, Burnpur

Your company emphasizes on Human Resource Development and has a flag-ship "Executive Trainee" program where fresh Engineers from premier Engineering Colleges are hired and honed through a rigorous one-year orientation program. On completion, they are absorbed directly in the Middle Management category. The organization is invited for campus visits on prestigious first-day slots at all the targeted institutions.



Nodulizing Drum, RINL, Vizag

Acquisition of the Coal & Mineral Technology Division of KHD Humboldt Wedag

In August 2009, MBE, through a SPV, MBE Mineral Technologies Pte Limited, Singapore (Formerly known as MBE Holdings Pte Limited) acquired the 155 year old Coal & Minerals Technology Division of KHD Humboldt Wedag along with their factory in Cologne. With this acquisition, MBE has access to world class Technology in Coal washeries and mineral beneficiation plants. They are global leaders in Jigging Technology with patented products "BATAJIG" & "ROMJIG". Their other well known products are PERMOS medium intensity magnetic separators, costLoans, diversification, working capital requirement and general corporate purposes.

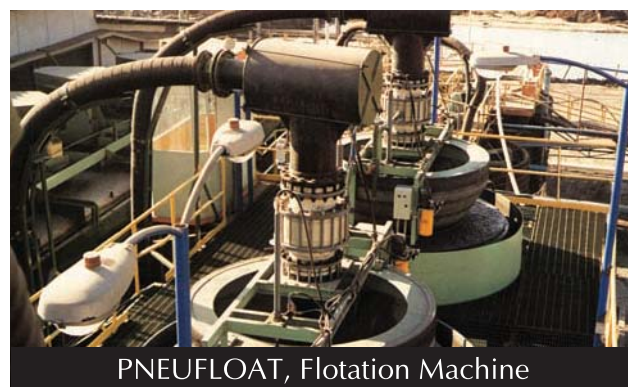


Romjig

PNEUFLOT pneumatic flotation systems, PALLA vibrating mills, JONES wet high intensity magnetic separators and Vibrating Screens.

The CMT Division operates through 3 entities : MBE Coal & Minerals Technology GmbH, Cologne, MBE Minerals SA PtyLtd, South Africa & McNally Humboldt Wedag, India.

MBE Cologne Engineering GmbH is a manufacturing unit based in Cologne, primarily making equipment for the Cement Industry.



PNEUFLOAT, Flotation Machine

Subsidiaries

McNally Sayaji Engineering Limited.

During the year the company scaled new heights and recorded a sales turnover of Rs 311 crore, which was an increase of over 50% over sales in 2008-09 amounting to Rs 204 crore. Pre Tax profit grew by 15 % to Rs 35.38 crore as compared to Rs 30.85 crore in the previous year while post tax profits at Rs 23.37 crore registered a growth of 20%. Some of the major orders received during the year:

- Order from MSPL for equipment for 150 TPH iron ore beneficiation plant, valued at Rs 14 crore
- Order from International Mineral Trading for Ball Mill, Scrubbers, Feeders valued at Rs 9 crore
- Export order from Vale, Oman for slurry pumps
- Order from HEC for coke bridge crusher valued at Rs 5.35 Crore

The new plant at Malur near Bangalore commenced production from December 2009. The Savli plant near Baroda is under construction and is expected to be on stream in the current financial year.

During the year, the Authorised Share Capital of the Company has been increased from one crore equity shares amounting to Rs 10 Crore to Five Crore equity shares amounting to Rs 50 Crore to enable the Company to issue further securities for the purpose of meeting its funding requirements for normal capital expenditures, new acquisitions, repayment of high

To achieve long term plans of the Company and to meet the funding requirements of normal capital expenditure, new acquisitions, to improve manufacturing facilities, repayment of high cost loans, diversification, working capital requirement and other general corporate purposes, the Company issued during the year, 16,33,344 Equity shares of Rs 10 each at a price of Rs 186 per share (including a premium of Rs 176 per share) and 5,10,000 Warrants convertible into equity shares of the Company of Rs 10 each, each Warrant entitling the holder of the warrants to apply for and be allotted one equity share of Rs 10 each fully paid-up, at a price of Rs 186 per share (including a premium of Rs 176) or at such other higher prices, conversion of which should be made as stipulated from the date of allotment of the Warrants, in one or more tranches, to the Strategic Investors and the Promoters.



Banana Screen

Humboldt Wedag Mineral India Private Limited.

Consequent to the takeover from CMT Division of KHD Humboldt Wedag GmbH, the turnover of the India entity for the period ended March 2010 was Rs 747 Million & PBT was Rs 35 Million.

Some of the major orders received during this period include

- 660 TPH Coal washery for Bhushan Steel valued at Rs 44 Crore
- Chrome ore beneficiation plant for Orissa Mining Corpn valued at Rs 35 Crore
- Disc Filter & Diaster filter from Anrak Aluminium valued at Rs 11 Crore

During the year, several Coal washery projects were completed including 600 TPH plant for Bhushan Power & Steel, Gujarat NRE Coke Ltd Bahchau plant, 300 TPH Belpahar plant of Global Coal, 2.5 mtpa non coking coal washery for SV Power at Korba, Ultratech Awarpur plant. The 50 TPH Ferro Manganese & Ferro Silica slag recovery plant of Jindal Steel has been commissioned.

The technical tie-ups with Gaudfrin France & AKW Germany have helped in securing significant orders. The industrial Centrifuge business continues to grow and this trend is expected to continue in the coming years.

MBE Coal & Minerals Technolgy GmbH

The Turnover of the German entity for the period July 2009 to March 2010 was Euro 11 Million.

Many initiatives have been taken to integrate the company into the MBE Group. To announce the acquisition by MBE, MBE-CMT have have done a mailer campaign with all customers with the message "new name, new colour, the essential endure" and also advertised in several mining journals.

MBE Minerals SA Pty Ltd South Africa

The turnover of the South African entity for the period ended March 2010 was ZAR 95.8 Million.

Cologne Engg GmbH, Cologne

The turn over of the manufacturing unit for the period ended March 2010 was Euro 4.5 Million.

EWB Kornyezetvedelmi Kft

EWB Kornyezetvedelmi showed significant growth in Billing and over 99% was from export markets since the demand from power plants in Hungary was low during the year. EWB has been consistently promoting existing partner relationships and expect substantial business this year also through these partnerships.



The Statement pursuant to Section 212 of the Companies Act, 1956 containing details of the Company's subsidiaries is attached.

The Consolidated Financial Statements of the Company and its subsidiaries, prepared in accordance with Accounting Standard AS 21 form part of the Annual Report.

In terms of the approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, copy of the Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of the Subsidiaries have not been attached to the Balance Sheet of the Company. These documents would be made available upon receipt from any member of the Company interested in obtaining the same. However as directed by the Central Government, the financial data of the subsidiaries have been separately furnished forming part of the Annual Report.

The accounts of the individual subsidiary companies shall be uploaded on the Website of your Company. These documents would also be available for inspection at the Registered Office of the Company and at the office of the respective subsidiary companies, during working hours upto the date of the Annual General Meeting.

Dividend

In view of company's performance, the Board of Directors of your Company is pleased to recommend an increased dividend of Rs 1.50 (15%) per equity share of Rs 10 each. The total cash flow on account of this dividend including dividend distribution tax thereon will be Rs 528 lacs. The dividend will be tax free in the hands of the shareholders.

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.

Insurance

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

Health & Safety

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

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

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

Directors

Mr Srinivash Singh, Managing Director of the Company, after 42 illustrious years of service in the Company of which 6 years were as a Managing Director stepped down with effect from the close of 17th June 2010. The Board has placed on record its deep appreciation of Mr Singh's immense contribution and valuable services during his long association with the Company.

The Board of Directors at their meeting held on 23rd November, 2009 appointed Mr Asim Kr Barman, IAS (Retired) as an Independent Director with effect from 1st December, 2009. Mr Asim Kr Barman retired as the Chairman of DVC. Besides Mr Barman held very important posts like Principal Secretary, Department of Environment and Department of Public Health Engineering (Water Supply and Sanitation), Government of West Bengal, Principal Secretary, Department of Health & Family Welfare, Government of West Bengal, Secretary, Department of Power, Government of West Bengal. The Company has received a Notice from a Member signifying his intention to propose Mr AK Barman for the office of Director at the forthcoming Annual General Meeting.

Mr Deepak Khaitan, Mr SP Singhi, Mr Utsav Parekh and Mr CK Pasari retire by rotation and being eligible, offer themselves for re-appointment.

Auditors'

M/s Lovelock & Lewes, Chartered Accountants, retire as Auditors of the Company and have given their consent for re-appointment. The Shareholders would be required to elect Auditors for the current year and fix their remuneration. The Audit Committee and the Board of Directors recommend M/s Lovelock & Lewes, as Statutory Auditors of the Company for the financial year 2010-11 for shareholders approval.

As required under the provisions of Section 224(1B) of the Companies Act, 1956, the Company has obtained a written Certificate from the above Auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said Section.

Auditors' Report

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

Fixed Deposits

The Company has not invited/accepted any Fixed Deposits during the year, as such, no amount of principal or interest on fixed deposits was outstanding on the date of the Balance Sheet.

Shifting of Corporate Office

During the year, the Corporate Office of the Company was shifted to Ecospace Campus 2B 11F/12 New Town Rajarhat North 24 Paraganas Kolkata 700 156.



Research and Development Centre of Excellence

Research and Development (R&D) has been a major focus for the Company as well as other members of the group. In order to achieve the goal of becoming the leaders in its field of activity, the Company will continue expanding its R&D programs as well as facilities by introducing state-of-art infrastructure and induction of best available man power in the Research and Development set up.

Share Capital

During the year, authorized and paid up share capital of the Company remained unchanged in comparison to previous year.

Corporate Governance

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

A separate section on Corporate Governance and a certificate from the Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement(s) with the Stock Exchange(s) form part of the annual report.

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

Particulars of employees

Information pursuant to Section 217(2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules 1975, forms part of this Report.

Persons Constituting Group

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

Energy Conservation, Technology Absorption and Foreign Exchange Earning and Outgo

Information on conservation of energy, technology absorption and foreign exchange transactions as stipulated under Section 217(1)(e) of the Companies Act, 1956 is set out in a separate statement, attached to this Report and forms part of it.

Directors' Responsibility Statement

Pursuant to the requirement of Section 217(2AA) of the Companies Act 1956 in relation to Directors' Responsibility Statement, it is confirmed that:

- i) In the preparation of annual accounts, the applicable accounting standards have been followed. There are no material departures from prescribed accounting standards.
- ii) We have selected such accounting policies and applied them consistently and made judgements 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 2009-10 and of profit of the Company for that period.
- iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) we have prepared the annual accounts on an ongoing concern basis.

Cautionary Statement

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

Acknowledgement

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

On behalf of the Board of Directors


SP Singh
Vice Chairman


SR Dasgupta
Director

Kolkata, August 31, 2010

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 upkeep and tuning of equipments like DG Sets and AC Units have resulted in optimal usage of electrical parts.

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

As stated nothing substantial to report.

B. RESEARCH & DEVELOPMENT (R & D).

1. SPECIFIC AREAS IN WHICH R & D IS CARRIED OUT BY THE COMPANY

Inhouse R & D programmes are carried out towards developments of new products, improvement of existing products and processes. We have also collaborated with NML, Jamshedpur and CMERI, Durgapur to develop new flotation process and grinding equipment, respectively.

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. Column flotation equipments are now in MBE capability for use in Rare Earth Metals extraction and we are in a position to offer Autogenous grinding.

3. Future Plan of Action:

Future R & D efforts will continue along the similar lines, as at present. We are now developing software applications in our inhouse R&D facility (Centre of Excellence) to drastically reduce engineering/ design time.

4. Expenditure on R & D:

Rs. Lakhs

	Year Ended 31.03.2010	Year Ended 31.03.2009
Capital	—	—
Recurring	24.90	25.34
Travelling Expenses	9.50	9.66
Others	0.33	1.04
Total	34.73	36.04

C. TECHNOLOGY ABSORPTION

1. TECHNOLOGIES:

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

2. BENEFIT 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.

3. INFORMATION REGARDING TECHNOLOGIES IMPORTED DURING LAST 5 YEARS:

1. Single Roll Crusher with hydraulic adjustment based on AUBEMA Technology.
2. High capacity Reversible Hammer Mill for Lignite crushing based on AUBEMA technology.
3. Exciter unit for Linear Motion Vibrating Screen as per SIEBTECHNIK Technology.
4. 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	Traveling	6245
	CIF value of Component & Spare parts	804224
	Capital Goods	53747
	Professional & Consultancy fees	166102
	Others	—

ANNEXURE B TO 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 2010.

Name of the Employee	Designation	Qualification	Age (Yrs.)	Joining Date	Experience (Years)	Gross Remuneration (Rs.)	Previous Employment, Designation
Bandyopadhyay Kasinath	Senior General Manager, Electrical	BE (Electrical)	59	01.02.1988	36	2567800	Genelec Ltd – Area Manager
Basu Gautam	Vice President & Business Head	BE-Mechanical	60	27.08.2008	35	2775217	Humboldt Wedag India Pvt Ltd – Manager
Bose Ashoke Kumar	Vice President & Chief of SBU, Steel	BE (Mech)	55	02.09.1996	34	4476189	GEC Alstom India Ltd – Manager (Pr)
Chandra Prasanta Kumar	President Operations	BE (Mech), AICWA, PGDM	52	24.01.2003	31	9392800	P T Texmaco – Sr Manager Project Monitoring
Chatterjee Dibakar	Vice President & Company Secretary	M.Com, LLB, FCA, AICWA, ACS	56	06.12.1999	31	3115520	Selvel Advertising – Gr General Manager
Chattopadhyay Kunal	Associate Vice President Marketing	BE-Mechanical	53	01.04.2003	32	2521040	Burn Standard Co Ltd – Chief Manager
Das Shyamal Kumar	Vice President Material Handling & Non-Ferrous Metals Business Group	BE (Mech)	52	12.05.1998	30	4774600	PT Bukaka Teknik Utama, Indonesia – Tech Advisor
Dasgupta Amitava	General Manager Engineering	B.Sc (Engg) -Mechanical	59	13.04.2006	35	2569120	TCE Consulting Engg Ltd – Chief Engg
Ghosh Prabir Kumar	President & CFO	B.Com (Hons), FCA	50	01.11.2001	27	9032200	IFB Agro Industries Ltd – President
Jana Aloke	Associate VP & Chief of SBU, Ash Handling & Water Management	BE (Electrical)	55	26.02.2001	33	2749449	DCIPS – Sr. Project Manager
Kanjilal Asoke Kumar	General Manager Marketing	BE (Mechanical)	54	01.09.2000	30	2574798	Graves Limited – Marketing Manager
Mukherjee Mihir Deb	Associate Vice President, Construction	BE (Civil)	58	13.03.2009	37	2956429	Bridge & Roof –GM Marketing
Nandi Arup Kanti	Sr Vice President Steel, Port & Mines Business Group	AMIE (Chemical Eng)	53	24.09.1987	29	6012400	Nirlon Synthetic Fibres Ltd – Tech Sales & Service Eng
Sarkar Arindam	Sr. Vice President Infrastructure Projects Business Group	BE (Civil)	55	01.12.1998	33	5879600	Dykerhoff & Widdman AG, Germany – Manager – Engineering
Sarkar Dipankar	Sr. Vice President Power Plant Projects Business Group	ME (Mech), PGCGM (IIM, Cal)	53	25.08.2000	30	7286200	DC Industrial Plant Services Ltd – General Manager
Sett Subir Kumar	Vice President	ME-Mineral	54	20.10.2005	28	3530000	GMMCO Ltd – GM (Technical)
Srivastava Bhanu Pratap	Associate Vice President Construction	BE (Civil)	50	01.12.1985	27	3093700	ICB (P) Ltd – Assistant Engg - Civil
Singh Srinivash	Managing Director	B Com, ACS, AICWA, LLB	63	01.12.1968	44	18381750	MKW International Ltd – Executive
Tarafdar Pulak Kumar	General Manager Information Technology	M.Tech Computer Science	52	03.06.2008	26	2747674	TIL Ltd – Techno – Functional Head
*Chandra Soumitra	General Manager	B.Tech (Civil)	49	01.03.2010	27	213320	Subhash Projects and Marketing Ltd – Vice President - Infrastructure
*Choudhury Abhijit	Vice President International Marketing	BE (Mechanical)	53	01.03.2010	32	207800	BEML – GM Exports
*Choudhury Tapan	General Manager Project Management	ME (Chemical)	56	24.02.2009	28	1709357	Flsmidth Minerals Pvt Ltd-DGM
*Dutta Debanjan	Vice President – Corporate Services	BE (Mech), MBA	54	05.02.2009	33	3232305	Webel - Managing Director & CEO
*Kotamarti Seshiah	Vice President Finance&Accounts	Chartered Accountant	44	01.07.2009	15	2196000	Larsen & Toubro Ltd – Sr. General Manager – Finance & commercial
*Nabi Sainumaraikayar	Vice President	ME, Ph.D	46	14.09.2009	22	1317446	Wipro Technology-GM
*Zutshi Arun	General Manager	BE (Mechanical)	48	21.12.2009	26	1119477	Degremont Ltd-Director- Execution

ANNEXURE B (Contd.)

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

INDUSTRY STRUCTURE AND DEVELOPMENT

The KPMG study commissioned by the Company (MBE) has indicated the following Capital Investment planned in the 5 year period 2010-2011 to 2014-2015, which is addressable by MBE with its products & services.

Power	: Rs 500 Thousand crores
Oil & Gas	: Rs 115 Thousand crores
Nuclear Power	: Rs 90 Thousand crores
Ports & Shipyards	: Rs 56 Thousand crores
Iron & Steel	: Rs 52 Thousand crores
Cement	: Rs 49 thousand crores
Mining	: Rs 17 thousand crores

Your company expects to hugely benefit from the overall opportunity in the above addressable markets in the coming years.

OPPORTUNITIES & THREATS

Planning Commission estimates that in the 12th Five year plan (2012 to 2018) investment in Infrastructure will be Rs 41 lakh crores. Since your company is present in all the sectors involving high capital investment we see a huge opportunity for growth in the coming years. New areas of Business that may add to the growth will be Balance of Plant (BOP) in power sector, Desalination Plants, Mobile Crushing Plants, Cement EPC. Your company will also be leveraging Humboldt presence in International markets to get EPC contracts. Emphasis in Nuclear Power sector will also be stressed as we expect a slowdown in thermal power plant investment near the end of the 12th Plan due to various factors like coal shortage, global warming, increased pollution control norms.

SEGMENTWISE OR PRODUCTWISE PERFORMANCE

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

OUTLOOK

Your company has an order backlog of Rs 3090 Crores as on 31 March 2010 and we hope to achieve a topline of around Rs. 2,700 crores this year. Moreover, with a healthy GDP growth forecast of 8.5 to 9% in the coming 2 years, we expect the new order booking to be comfortable and as per Planned targets.

RISKS & CONCERNS

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

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

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

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

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

The industrial relations during the year has been cordial. The number of permanent employees as on 31 March 2010 was 1166 as against 997 on 31 March 2009.

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. 973 Crs to Rs. 1487 Crs, the Profit Before Tax has gone up from Rs 51 crs to Rs. 53 Crs and earnings per share has gone up from Rs. 10.98 per share to Rs.11.16 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.

DISCLOSURE BY THE MANAGEMENT

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

CAUTIONARY STATEMENT

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

ANNEXURE D TO THE DIRECTORS REPORT

Statement Pursuant to order no. 47/643/2010-CL-III dated 3rd August, 2010 of Ministry of Corporate Affairs, Government of India, issued under Section 212(8) of the Company Act, 1956 for the Financial Year 2009-10.

Rupees in '000

Sl. No.	Name of the Subsidiary Company	Capital	Reserves	Total Assets	Total Liabilities	Details of Investments (excluding Investments in subsidiaries)	Turnover/ Total income	Profit before taxation	Provision for Taxation	Profit after taxation	Proposed Dividend	Country
1.	MBE Holding Pte Ltd	79,576	14,784	2,208,219	2,102,445	–	1,386,216	3,195	20,214	(17,019)		Singapore
2.	McNally Sayaji Engineering Ltd	89,893	1,587,259	3,990,618	2,220,766	7,348	3,111,260	353,850	120,121	233,729	17,979	India
3.	McNally Bharat Infrastructure Ltd	1,000	317	3,543	2,296	–	2,763	462	143	319		India
4.	McNally Bharat Equipments Ltd	1,000	(61)	994	100	–	–	(62)	–	(62)		India
5.	EWB Kornyeztvedelmi Kft	3,433	34,981	103,984	65,320	–	294,594	29,984	4,976	25,008		Hungary

ANNEXURE E TO THE DIRECTORS REPORT

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

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

ANNEXURE F 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, 2010 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 ten members at the end of the financial year, consisting of nine Non-executive Directors who account for 90 percent of the Board's strength as against minimum requirement of fifty percent as per the listing agreement. The Non-executive Directors are eminent professionals, drawn from amongst persons with experience in business and industry, finance, law and public enterprises. The Composition is as under:

Name of the Directors	Category of Directors	No. of other Directorships held #		No. of other Board Committee(s) of which he/she		No. of Shares held in the Company as at 31.03.2010
		Public	Private	is a member	is a Chairperson	
Mr. D. Khaitan - Chairman	Promoter - Non Executive	7	-	1	-	-
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	5	-	2	-	100
Mr. C. K. Pasari	Independent - Non Executive	6	4	-	-	400
Mr. S. K. Pasari	Independent - Non Executive	2	10	-	-	-
Mr. A. Khaitan	Promoter - Non Executive	4	3	-	-	-
Mr. S. R. Dasgupta	Independent - Non Executive	2	-	-	-	-
Mr. A. K. Barman	Independent - Non Executive	1	-	-	-	-
Mr. S. Singh	Executive - Managing Director	3	1	-	-	2900

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
Mr. D Khaitan	Rupees 70,000
Mr. V K Verma	300,000
Mr. C K Pasari	685,000
Mr. U Parekh	105,000
Mr. S P Singhi	500,000
Mr. Sanjay Kumar Pasari	70,000
Mr. Amritanshu Khaitan	80,000
Mr. Subir Ranjan Dasgupta	70,000
Mr. Asim Kumar Barman	120,000
TOTAL	2,000,000

Details of remuneration paid/payable to the Managing Director :

	Rupees	Rupees
Mr. S. Singh (Managing Director)		
Salary		13,350,000
Performance Bonus	3,600,000	
Contributions to Provident Fund and Other Fund	3,080,000	
Perquisites	196,613	6,876,613
Total Remuneration		20,226,613

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 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, 9 Board Meetings were held on 09 April, 2009, 30 April, 2009, 06 May, 2009, 31 July, 2009, 07 September, 2009, 31 October, 2009, 23 November, 2009, 04 January, 2010 and 29 January 2010.

- (iii) The attendance recorded for each of the Directors at the Board Meetings during the year ended on 31 March 2010 and of the last Annual General Meeting is as under :

Name of the Directors	Number of Board Meetings attended	Attendance at the last AGM
Mr. D. Khaitan	5	No
Mr. S. P. Singhi	8	Yes
Mr. V. K. Verma	6	No
Mr. U. Parekh	3	No
Mr. C.K. Pasari	9	Yes
Mr. S.K. Pasari	5	No
Mr. A. Khaitan	5	No
Mr. S. R. Dasgupta	5	No
Mr. A. K. Barman	2	No
Mr. S. Singh	8	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 30 April, 2009, 31 July, 2009, 07 September, 2009, 31 October, 2009 and 29 January 2010. The attendance of each Audit Committee member is as under :

Name of the Audit Committee Member	Number of meetings attended
Mr. V. K. Verma	5
Mr. U. Parekh	1
Mr. C. K. Pasari	5
Mr. A. Khaitan	2

- (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. S. P. Singhi

Mr. U. Parekh

Mr. C. K. Pasari

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

The Remuneration Committee of the Company met thrice during the year on 30 April, 2009, 31 July, 2009 and 31 October, 2009. The attendance of the members of the Remuneration Committee was as follows :

Name of Remuneration Committee Member	Number of meetings attended
Mr. V. K. Verma	3
Mr. S. P. Singhi	2
Mr. U. Parekh	1
Mr. C. K. Pasari	3

V. Remuneration Policy

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

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

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

VI. Shareholders'/Investors' Grievance Committee

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

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

Mr. U. Parekh

Mr. V. K. Verma

Mr. C. K. Pasari

The Shareholders' / Investors' Grievance Committee of the Company met four time during the year on 30 April, 2009, 31 July, 2010, 31 October, 2010 and 29 January, 2010. The attendance of the members of the Shareholders'/Investors' Grievance Committee was as follows:

Name of Shareholders'/Investors' Grievance Committee Member	Number of meetings attended
Mr. S. P. Singhi	3
Mr. U. Parekh	1
Mr. C. K. Pasari	4
Mr. V. K. Verma	4

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 2009-10.

Nature of complaints	Pending as on 1st April 2009	Received during the year	Replied/ resolved during the year	Pending as on 31st March 2010
Non receipt of Dividend Warrants	0	11	11	0
Non receipt of Share certificates	0	0	0	0
Non receipt of Annual Reports	0	3	3	0
Total	0	14	14	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, 2010, 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, 26 Committee of Directors were held on 30th April 2009, 15th May 2009, 31st May 2009, 15th June, 2009, 30th June 2009, 15th July 2009, 30th July 2009, 14th August 2009, 31st August 2009, 15th September 2009, 30th September 2009, 15th October 2009, 31st October 2009, 16th November 2009, 23rd November 2009, 30th November 2009, 15th December 2009, 31st December 2009, 15th January 2010, 30th January 2010, 15th February 2010, 26th February 2010, 15th March 2010, 24th March 2010, 27th March 2010 & 29th March 2010.

The attendance recorded for each of the Directors at the Committee of Directors' Meetings during the year ended on 31 March 2010 is as under :

Name of the Directors	Number of Committee of Directors' Meetings attended
Mr. S. P. Singhi	21
Mr. C. K. Pasari	23
Mr. A. K. Barman	4
Mr. S. Singh	26

VIII. Subsidiary Companies

The Company has the following subsidiaries:

- Mcnally Sayaji Engineering Limited
- Mcnally Bharat Equipments Limited
- Mcnally Bharat Infrastructure Limited
- EWB Kornyezetvedelmi Kft, Hungary
- MBE Minerals Technologies Pte, Limited, Singapore

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

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

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

IX. Disclosures

- All related party transactions have been entered into in the ordinary course of business and were placed periodically before the audit committee in summary form. There were no material individual transactions with related parties which

were not in the normal course of business required to be placed before the audit committee and that may have potential conflict with the interest of the Company at large. All individual transactions with related parties or others were on an arm's length basis.

2. The Company has complied with all the requirements of the listing agreements with the Stock Exchange as well as regulations and guidelines of SEBI. No penalties have been imposed or strictures have been issued by SEBI, Stock Exchange or any statutory authority on matters related to capital markets during the last three years.
3. All Accounting Standards mandatorily required have been followed in preparation of financial statements and no deviation has been made in following the same.
4. Risk assessment and its minimization procedures have been laid down by the Company and the same have been informed to board Members. These procedures would be periodically reviewed to ensure that executive management controls risks through means of a properly defined framework.
5. Management Discussion and Analysis forms part of the Annual Report to the shareholders and it includes discussion on matters as required under the provisions of Clause 49 of the listing agreement with Stock 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 interests of the Company at large requiring disclosure by them to the Board of Directors of the Company.

X. Compliance with of Non-Mandatory Requirements

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

(i) The Board :

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

No specific tenure has been specified for the Independent Directors.

(ii) Remuneration Committee :

Details are given under the heading 'Remuneration Committee'.

(iii) Shareholder Rights :

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

(iv) Audit Qualification :

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

(v) Training of Board Members :

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

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

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

(vii) Whistle Blower Policy :

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

XI. Compliance Certificate

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

XII. General Body Meetings

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

Annual General Meeting :

AGM	Day	Date	Time	Venue
44th	Wednesday	10.09.2007	11.00 a.m.	Rotary Sadan 94/2, Chowringhee Road Kolkata 700020
45th	Wednesday	15.09.2008	11.00 a.m.	- do -
46th	Monday	23.11.2009	11.00 a.m	- do -

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

Yes, details of which are given hereunder:

Date	Matter
10.09.07	Re-appointment of Managing Director
23.11.09	Issue of Rights Shares in accordance with the provisions of Section 81 (1) and other applicable provisions, if any, of the Companies Act, 1956
23.11.09	Creation of Charges in accordance with Section 293 (1) (a) and all other applicable provisions, if any, of the Companies Act, 1956.

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

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

- (c) Person who conducted the Postal Ballot exercise
Mr. Atul Kumar Labh, a practicing Company Secretary, appointed as the Scrutinizer conducted the Postal Ballot voting process.
- (d) Procedure for Postal Ballot
The procedures as prescribed in the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 were followed for passing the special resolution by Postal Ballot during the financial year ended 31st March 2010.

XIII. Means of Communication

Quarterly results :

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

XIV. General Shareholder Information

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

Particulars	Seeking reappointment	Seeking reappointment	Seeking reappointment	Seeking reappointment	Seeking reappointment
Name of Director	Mr. D. Khaitan	Mr. S.P. Singhi	Mr. Utsav Parekh	Mr. C.K. Pasari	Mr. A.K. Barman
Date of appointment	15 September, 2008	10 September, 2007	10 September, 2007	15 September, 2008	23 November, 2009
Brief resume and expertise in specific functional area	Given in the notice of the AGM	Given in the notice of the AGM	Given in the notice of the AGM	Given in the notice of the AGM	Given in the notice of the AGM
List of other Directorship held	-do-	-do-	-do-	-do-	-do-
Chairman/Member of the Committees of the Board of Companies in which he is a Director	-do-	-do-	-do-	-do-	-do-
Shareholding in the Company in case of Non-executive Director	Nil	Nil	100	400	Nil

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

Day : Thursday
Date : 30.09.2010
Time : 11AM
Venue : Rotary Sadan
94/2, Chowringhee Road
Kolkata 700020

(c) **Financial Calendar for the period till 31.03.2011 is as given below :**

Un-audited results for the quarter ending June, 2010 : by 14th August, 2010
Un-audited results for the quarter ending September, 2010 : by 15th November, 2010
Un-audited results for the quarter ending December, 2010 : by 15th February, 2011
Un-audited results for the quarter ending March, 2011 : by 14th May, 2011, unless the Company decides to publish audited results directly as per Listing Agreements

(d) Period of Book Closure : 24th to 30th September, 2010

(e) **Dividend payment date :**

Dividend on Equity Shares when sanctioned will be made payable on or before 25th October, 2010 to those Shareholders in physical form whose names stand on the Company's Register of Members on 30th September, 2010, 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 2009-2010.

Stock Codes :

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

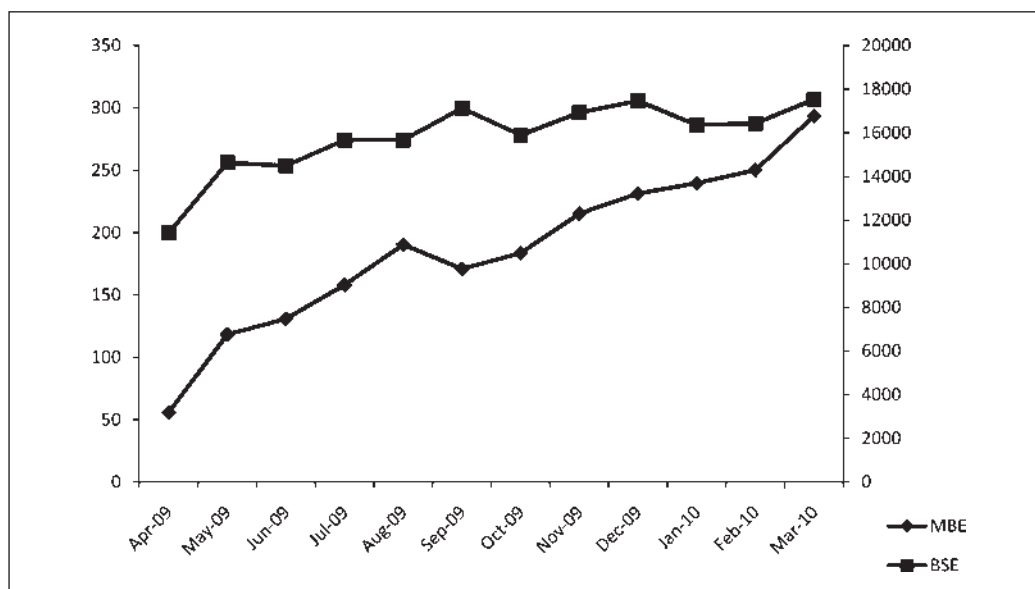
International Securities Identification Number (ISIN) for the Company's shares in dematerialized form INE 748A01016

(g) **Market Price Data :**

The details of monthly highest and lowest closing quotations of the equity shares of the Company at the Bombay Stock Exchange and National Stock Exchange during financial year 2009-2010 are as under :

Month	Bombay Stock Exchange (BSE)		National Stock Exchange (NSE)	
	High	Low	High	Low
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
April, 2009	59.50	38.60	59.50	38.40
May, 2009	118.25	58.00	118.45	58.10
June, 2009	132.95	100.10	132.55	99.50
July, 2009	163.80	121.00	164.00	121.50
August, 2009	210.60	147.00	206.90	147.30
September, 2009	201.00	156.10	202.65	155.75
October, 2009	203.60	160.00	204.40	159.50
November, 2009	223.70	175.00	225.60	175.00
December, 2009	239.00	200.30	239.00	200.20
January, 2010	289.80	226.00	289.00	225.00
February, 2010	255.00	231.00	254.90	230.20
March, 2010	313.90	251.95	312.85	251.00

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. 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, 2010 :

No of Shares	No. of holders	% of total holders	No. of shares	% of total shares
1 to 500	9660	87.0976	1219462	3.9219
501 to 1000	661	5.9598	549139	1.7661
1001 to 2000	331	2.9844	513966	1.6530
2001 to 3000	123	1.1090	325338	1.0463
3001 to 4000	47	0.4238	172631	0.5552
4001 to 5000	72	0.6492	347231	1.1167
5001 to 10000	69	0.6221	531142	1.7082
10001 and above	128	1.1541	27434909	88.2372
Total	11091	100.00	31093818	100.000

(k) **Pattern of Shareholding as on 31st March, 2010 :**

	Category	No. of Holders	No. of Shares
1	Resident Indian	10277	6607331
2	Domestic Companies	540	12525911
3	NRI	214	357747
4	Foreign Companies	0	0
5	Mutual Fund	29	4947654
6	Financial Institutions	0	0
7	Bank (Non-nationalised)	3	640
8	Directors & Relatives	5	276600
9	FII	17	5502174
10	Insurance	5	875761
Total		11091	31093818

(l) **Dematerialization of Shares :**

As on 31st March, 2010, 30136815 Shares of the Company's total shares representing 96.92% shares were held in dematerialized form and the balance 3.08% representing 957003 shares were in paper form.

(n) **Address of Correspondence :**

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

Shareholders' correspondence should be addressed to:

McNally Bharat Engineering Company Limited

Share Department

4, Mangoe Lane, 4th Floor, Kolkata – 700 001

Contact persons : Mr. D. Chatterjee, Company Secretary

Telephone Nos : 66281070 & 30141070

Fax No : 66282277, E-mail: mbecal@mbeccl.co.in

Maheshwari Datamatics Private Limited

6 Mangoe Lane, 2nd Floor, Kolkata - 700 001

Contact person : Mr. S. Rajagopalan, Vice President

Telephone Nos : 2243-5029/ 5809

Fax No : 2248-4787, E-mail : mdpl@cal.vsnl.net.in

Declaration by the CEO 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, 1st April, 2010

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 31st March 2010, 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.

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
Date: 13th August, 2010

For **Lovelock & Lewes**
Firm Registration Number 301056E
Chartered Accountants

Partha Mitra
Partner
Membership No : 50553

AUDITORS' REPORT

TO THE MEMBERS OF MCNALLY BHARAT ENGINEERING COMPANY LIMITED

1. We have audited the attached Balance Sheet of McNally Bharat Engineering Company Limited (the "Company") as at 31st March 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2010 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 2010;
 - (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, 13th August 2010

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

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of McNally Bharat Engineering Company Limited on the financial statements for the year ended 31st March 2010

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has granted unsecured loans, to one company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loan aggregate to Rs. 550,00,000/-, and Rs. Nil, respectively.
- (b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
- (c) In respect of the aforesaid loans, the parties are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.
- (d) In respect of the aforesaid loans, there is no overdue amount more than Rupees One Lakh.
- (e) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly the paragraphs 4 (iii) (f), and (g) of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, except dues in respect of service tax, income tax, employee's state insurance and sales tax where there have been significant delays, the Company is generally regular in depositing undisputed statutory dues including investor

education and protection fund, wealth tax, customs duty, excise duty and other material statutory dues as applicable, with the appropriate authorities. The extent of the arrears of statutory dues outstanding as at 31st March 2010, for a period of more than six months from the date they became payable are as follows:

Name of the Statute	Nature of Dues	Amount Rs.	Period to which the amount relates	Due date	Date of Payment
Finance Act	Service Tax	Rs. 798516	April- August 2009	On the 5th of the next month	7th May 2010

- (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 2010 which have not been deposited on account of a dispute, are mentioned in Annexure attached.
- The Company has no accumulated losses as at 31st March 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
 - 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.
 - The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 - The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/ societies are not applicable to the Company.
 - In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
 - In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.
 - 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.
 - 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, short-term funds to the extent of Rs 1373048 (in 000) has been used for long-term purposes.
 - 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.
 - The Company has no debentures outstanding at the year-end.
 - The Company has not raised any money by public issues during the year.
 - During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

Kolkata, 13th August 2010

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

ANNEXURE - A

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

NAME OF THE STATUTE	NATURE OF DUES	AMOUNT (Rs.)	PERIOD TO WHICH THE AMOUNT RELATES	FORUM IN WHICH THE DISPUTE IS PENDING
CENTRAL EXCISE ACT, 1944	Excise duty and Penal Interest thereon	12,951,359	1989-90 to 1992-93	Commissioner of Central Excise, Pondicherry
	SUB -TOTAL	12,951,359		
APGST ACT, 1957	Sales Tax	3,070,036	1994-95 to 1997-98	Sales Tax Appellate Tribunal, Hyderabad
OST ACT, 1947	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, 1956	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		
West Bengal Value Added Act, 203	VAT/CST	13,008,951	2004-05 to 2005-06	West Bengal Appellate and Revisional Board
-DO-	VAT/CST	74,525,243	2006-07	Senior Joint Commissioner Corporate Division, Kolkata
Bihar Finance Act, 1981 Adopted by Govt. of Jharkhand	VAT/CST	5,376,372	2003-04	DCCT Chirkunda
	SUB -TOTAL	92,910,566		
Finance Act, 1994	Service Tax	104,806,129	Oct 2006 to Mar 2009	Commissioner of Service Tax, Kolkata
-DO-	Service Tax	2,838,829	Apr 2003 to Jan 2009	Joint Commissioner, Central Excise, Allahabad
-DO-	Service Tax	180,682,597	2003-04 & 2004-05	CESTAT, Kolkata
-DO-	Service Tax	423,800	2006-07 & 2007-08	Commissioner Appeals Kolkata
	SUB -TOTAL	288,751,355		

BALANCE SHEET AS AT 31st MARCH 2010

	Schedule No.	As at 31st March 2010 (Rs.'000)	As at 31st March 2009 (Rs.'000)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Capital	1	310,938	310,938
b) Reserves and Surplus	2	1,943,237	1,649,114
2. Loan Funds			
a) Secured Loans	3	2,010,008	1,508,953
b) Unsecured Loans	4	—	1,304
3. Deferred Tax Liability	14	93,683	83,388
Total		4,357,866	3,553,697
II. APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block		1,004,838	500,192
b) Less : Depreciation and Amortisation		130,607	86,813
c) Net Block	5	874,231	413,379
d) Capital Work In Progress		733	55,847
2. Investments	6	1,567,674	773,552
3. Current Assets, Loans and Advances			
a) Inventories	7	263,720	56,937
b) Sundry Debtors	8	9,943,609	6,273,944
c) Cash and Bank Balances	9	326,189	278,440
d) Other Current Assets	10	806,967	1,771,489
e) Loans and Advances	11	2,094,121	1,047,994
		13,434,606	9,428,804
Less : Current Liabilities and Provisions			
a) Liabilities	12	11,386,813	7,038,523
b) Provisions	13	132,565	79,362
		11,519,378	7,117,885
Net Current Assets		1,915,228	2,310,919
Total		4,357,866	3,553,697
Notes on Accounts	20		

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

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

For **Lovelock & Lewes**
Firm Registration Number 301056E
Chartered Accountants
Partha Mitra
Partner
Membership No. 50553
Kolkata, 13th August, 2010

Deepak Khaitan - Chairman
Shanti Prasad Singhi - Vice Chairman
Prabir Ghosh - President & Chief Financial Officer
D. Chatterjee - Vice President & Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

	Schedule No.	For the year ended 31st March, 2010 (Rs.'000)	For the year ended 31st March, 2009 (Rs.'000)
INCOME			
Sale of Equipments and contract revenue		14,843,699	9,679,771
		14,843,699	9,679,771
Other Income	15	29,907	54,590
Total		14,873,606	9,734,361
EXPENDITURE			
Materials	16	8,991,397	6,123,246
Outsourcing Expenses to outsiders for job work		2,753,947	1,667,520
Expenses	17	2,230,421	1,290,847
Assets/Advance/ Debts written off/ Provision/			
Liabilities written back (net)	18	10,880	17,995
Depreciation and Amortisation		49,558	24,108
Interest and Finance charges (Net)	19	304,977	327,688
Total		14,341,180	9,451,404
PROFIT BEFORE EXCEPTIONAL ITEMS		532,426	282,957
Profit on transfer of the Products Division of the Company		–	230,719
PROFIT BEFORE TAXATION		532,426	513,676
TAXATION FOR THE YEAR			
Current Tax		175,197	95,000
Deferred Tax		10,295	72,005
Fringe Benefit Tax		–	5,502
		185,492	172,507
PROFIT AFTER TAXATION		346,934	341,169
Brought forward from previous year		714,519	436,822
		1,061,453	777,991
APPROPRIATIONS			
Proposed Dividend		46,641	38,867
Dividend Tax		6,170	6,605
Transfer to General Reserve		18,100	18,000
Balance carried forward		990,542	714,519
		1,061,453	777,991
Notes on Accounts	20		
Earnings per Share (Refer Note 18 on Schedule 20)			
Basic		11.16	10.98
Diluted		11.16	10.98

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

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

For **Lovelock & Lewes**
Firm Registration Number 301056E
Chartered Accountants
Partha Mitra
Partner
Membership No. 50553
Kolkata, 13th August, 2010

Deepak Khaitan - Chairman
Shanti Prasad Singhi - Vice Chairman
Prabir Ghosh - President & Chief Financial Officer
D. Chatterjee - Vice President & Company Secretary

SCHEDULES

	As at 31st March 2010 (Rs.'000)	As at 31st March 2009 (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 Equity Shares of Rs. 10/- each fully paid up	310,938	310,938
Notes :		
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	310,938
2. Reserves and Surplus		
Capital Redemption Reserve	100	100
Securities Premium Account		
Balance as per last account	846,030	524,064
Add : Addition during the year	—	321,966
Balance as at 31st March, 2010	846,030	846,030
Revaluation Reserve as per last account	—	52,004
Less : Amount withdrawn on assets transferred	—	52,004
Balance as at 31st March, 2010	—	—
General Reserve		
Balance as per last account	88,465	70,465
Add : Transferred from Profit and Loss account	18,100	18,000
Balance as at 31st March, 2010	106,565	88,465
Profit and Loss Account		
Balance as per last account	714,519	436,822
Add : Profit for the year	276,023	277,697
Balance as at 31st March, 2010	990,542	714,519
Total	1,943,237	1,649,114

SCHEDULES

	As at 31st March 2010 (Rs.'000)	As at 31st March 2009 (Rs.'000)
3. Secured Loans		
From Banks :		
Overdraft including Working Capital Demand Loans (including interest accrued and due RsNil; 2008-09 - Rs.4,30,950)	1,089,289	941,841
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 2 on Schedule 20)	Company	
Term Loans	908,465	550,000
Term loan from ICICI Bank is 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 and term loan from DBS Bank is secured by specific charge on certain fixed assets and personal gurantee of the Promoter Director (Refer Note 2 on Schedule 20)		
Car Loans	3,072	1,385
Secured by hypothecation of motor vehicles acquired out of these loans.		
From Others :		
Equipment Finance Loan	8,578	15,727
Secured by hypothecation of the tangible movable assets acquired out of these loans.		
Car Loan	604	—
Secured by hypothecation of motor vehicles acquired out of these loans.		
Total	<u>2,010,008</u>	<u>1,508,953</u>
4. Unsecured Loans		
Short Term Loan :		
From banks (overdraft)	—	1,304
Total	<u>—</u>	<u>1,304</u>

SCHEDULE

5. Fixed Assets

Rs '000

Particulars	GROSS BLOCK AT COST / VALUATION				DEPRECIATION/ AMORTISATION				NET BLOCK		
	As at 1st April, 2009	Additions	Deletion	On assets transferred as per scheme of arrangement	As at 31st March, 2010	As at 1st April, 2009	For the year	Deletion	On assets transferred as per scheme of arrangement	As at 31st March, 2010	As at 31st March, 2009
TANGIBLE ASSETS:											
Free Hold Land **	56,554	—	—	—	56,554	—	—	—	—	—	56,554
Building **	6,203	—	—	—	6,203	319	207	—	—	526	5,677
Plant & Machinery	375,366	341,670	1,974	—	715,062	60,776	26,469	1,565	—	85,680	629,382
Furniture & Fixture	18,936	71,338	12,345	—	77,929	5,842	2,019	2,722	—	5,139	72,790
Refrigerators & Air Conditioners	8,238	12,633	532	—	20,339	1,173	552	100	—	1,625	18,713
Office Equipments	2,875	30,966	392	—	33,449	1,420	563	296	—	1,687	31,762
Vehicles	5,223	3,500	1,348	—	7,375	1,366	627	803	—	1,190	6,185
Telephone Plant	1,327	4,374	1,016	—	4,685	334	99	278	—	155	4,530
INTANGIBLE ASSETS											
Computer Software	25,470	57,772	—	—	83,242	15,583	19,022	—	—	34,605	48,637
Total	500,192	522,253	17,607	—	1,004,838	86,813	49,558	5,764	—	130,607	874,231
Previous Year	983,832	207,376	1,447	689,569	500,192	364,410	24,108	188	301,517	86,813	413,379

** Land of Rs 56,554,138 and Building of Rs 6,202,269 acquired at a consolidated price apportioned on the basis of Municipal valuation

SCHEDULES

	As at 31st March 2010 (Rs.'000)	As at 31st March 2009 (Rs.'000)
6. Investments -Unquoted unless otherwise stated		
Current - Other than trade (at cost or fair value whichever is lower)		
Investment in 15,135.174(2008-09 7229.747 Units) of IDFC Liquid Fund - Growth	19,210	8,700
Long Term (at cost)		
A. IN SUBSIDIARY COMPANIES		
99% Shares fully paid up in EWB Kornyezetvedelmi Kft. Hungary	7,427	7,427
2,48,570 shares in MBE Holding Pte Ltd of 10 Singapore Dollar each	82,672	—
63,29,698 (2008-09 - 34,05,825) Equity Shares of Rs. 10 each fully paid up in McNally Sayaji Engineering Limited (Quoted) *	1,455,671	754,731
99,400 Equity shares of Rs.10 each fully paid in McNally Bharat Equipments Limited	994	994
99,400 Equity shares of Rs.10 each fully paid in McNally Bharat Infrastructure Limited	994	994
B. TRADE INVESTMENTS		
24,970 Equity shares of Rs.10 each fully paid in Jayamkondam Lignite Power Corporation Limited	250	250
C. OTHER THAN TRADE		
10,960 Equity Shares of Rs 5 each fully paid up in Eveready Industries India Ltd.(Quoted)	228	228
10,960 Equity Shares of Rs 5 each fully paid up in Mcleod Russel India Ltd (Quoted)	228	228
Total	1,567,674	773,552
Aggregate Book Value of Unquoted Investments	111,547	18,365
Aggregate Book Value of Quoted Investments	1,456,127	755,187
Aggregate Market Value of Quoted Investments	1,185,876	755,633

* The market value of the shares in McNally Sayaji Engineering Limited (MSEL) is based on the price as per preferential allotment made during the year by MSEL as there was no trading in such shares during the year.

SCHEDULES

	As at 31st March 2010 (Rs.'000)	As at 31st March 2009 (Rs.'000)
7. Inventories		
(Refer Note1 (vi) on Schedule 20)		
Stores and Spare Parts	4,355	1,949
Raw Materials	259,365	54,988
Total	263,720	56,937
8. Sundry Debtors		
Unsecured- Considered Good		
Debts outstanding for a period exceeding six months*	3,226,336	1,680,310
Other Debts - Considered good #	6,717,273	4,593,634
* Including Retention money not due Rs.2,134,422,955 (2008-09 Rs.1,218,881,401)		
# Includes amount due from Subsidiary Rs. 5,515,000 (2008-09 Rs Nil)		
Total	9,943,609	6,273,944
9. Cash and Bank Balances		
Cash	5,426	3,257
Cheques in hand	51,100	52,126
Remittance in transit	—	13,045
With Scheduled Banks :		
On Current Account *	262,810	206,360
On Deposit Account	6,853	3,652
Total	326,189	278,440

* Includes Rs. 8,84,269 (2008-09 Rs.11,05,37,322) in Escrow Account

SCHEDULES

	As at 31st March 2010 (Rs.'000)	As at 31st March 2009 (Rs.'000)
10. Other Current Assets		
Receivable from McNally Sayaji Engineering Limited	–	820,000
Due from Customers (Project related activity) (Refer Note 15 on Schedule 20)	806,967	951,489
	806,967	1,771,489
11. Loan and Advances - Unsecured considered Good		
Advance to Subsidiaries	328,384	95,693
Advances recoverable in cash or in kind or for value to be received	1,507,309	721,193
Balance with Customs, Port Trust, etc	99,452	85,813
Deposits with Government, Public bodies and Others	158,976	138,890
Advance payment of tax (net of Provision for Tax)	–	6,405
Total	2,094,121	1,047,994
12. Current Liabilities		
Acceptances	159,407	428,368
Sundry Creditors		
Total outstanding dues of Micro and Small enterprises (Refer Note 13 on Schedule 20)	–	–
Total outstanding dues of creditors other than micro and small enterprises	4,231,591	2,880,881
Dues to Subsidiary	1,159,141	238,800
Due to Customers (Project related activity)	2,612,361	703,748
Advance Payment from customers	2,841,023	2,509,571
Other Liabilities	380,376	274,020
Interest accrued but not due on loan	2,914	3,135
Total	11,386,813	7,038,523
There are no amounts due and outstanding to be credited to Investor Education and Protection Fund		
13. Provisions		
Provision for Payment of Tax (Net of Advance Payments)	4,553	–
Proposed Dividend	46,641	38,867
Dividend Tax	6,170	6,605
Provision for Employee Benefits	75,201	33,890
Total	132,565	79,362

SCHEDULES

	As at 31st March 2010 (Rs.'000)	As at 31st March 2009 (Rs.'000)
14. Deferred Tax		
Liabilities:		
Depreciation	110,321	91,691
Assets :		
Sec 43B items	(14,976)	(8,303)
Other Items	(1,662)	—
Total	93,683	83,388
	For the year ended 31st March 2010 (Rs.'000)	For the year ended 31st March 2009 (Rs.'000)
15. Other Income		
Service Charges (Gross)	10,704	48,783
Dividend Income from Long term Investments (other than trade)	22	11
Dividend from Subsidiary company	9,495	—
Profit on Sale of Fixed Assets (Net)	224	—
Profit on Sale of Current Investment (Net)	1,210	5,575
Sale of scrap	7,068	—
Miscellaneous Income	1,184	221
Total	29,907	54,590
16. Materials		
Balance as at 1st April 2009	54,988	112,914
Less Transferred to MSEL as per scheme of arrangement	—	(69,595)
Add : Purchases	3,163,983	1,927,419
	3,218,971	1,970,738
Less : Balance as at 31st March 2010	259,365	54,988
Consumption of Raw Materials	2,959,606	1,915,750
Consumption of bought out Components and Spare Parts	6,031,791	4,207,496
Total	8,991,397	6,123,246

SCHEDULES

	For the year ended 31st March 2010 (Rs.'000)	For the year ended 31st March 2009 (Rs.'000)
17. Expenses		
Salaries, wages and bonus	642,863	388,014
Contribution to provident and other funds	37,515	21,213
Workmen and staff welfare expenses	51,292	27,613
Professional Services	216,742	87,169
Consumption of Stores and Spare Parts	1,089	3,248
Power and Fuel	52,145	9,744
Repairs to Building	38	453
Repairs to Machinery	4,531	4,476
Repairs - others	25,318	48,900
Rent	42,453	27,621
Subscriptions and donations	5,193	2,036
Bank charges	166,831	152,767
Rates and taxes	105,088	87,520
Insurance	27,032	16,564
Cartage and freight	495,877	216,384
Directors' fees	2,000	580
Travelling	162,852	116,500
Running and maintenance of vehicles	1,632	1,133
Loss on sale of Investments	19,753	–
Loss on Exchange Fluctuations (Net)	36,838	23,564
Royalty	127	–
Loss on sale of Fixed Assets (Net)	–	271
Miscellaneous expenses	133,212	55,077
Total	<u>2,230,421</u>	<u>1,290,847</u>

SCHEDULES

	For the year ended 31st March 2010 (Rs.'000)	For the year ended 31st March 2009 (Rs.'000)
18. Assets/ Advance/ Debts written off/ Provision/ Liabilities written back (net)		
Assets written off	10,737	–
Advances written off	143	18,138
	<u>10,880</u>	<u>18,138</u>
Less :		
Liabilities no longer required written back	–	143
Total	<u>10,880</u>	<u>17,995</u>
19. Interest and Finance charges		
Interest		
On Fixed Loans	104,162	65,250
On Others	186,017	230,404
	<u>290,179</u>	<u>295,654</u>
Less : Interest earned (gross)		
On Fixed Deposit and Others (Tax deducted at source Rs. 2,45,595 (2008-09 - Rs. 36,271)	2,588	401
On Income Tax refund	5,939	3,316
	<u>281,652</u>	<u>291,937</u>
Bill Discounting charges	23,325	35,751
Total	<u>304,977</u>	<u>327,688</u>

SCHEDULES

20. 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% as they are higher than Schedule XIV rates.
 - c) Profit and Loss on disposal of Fixed Assets is recognized in Profit and Loss Account.
 - d) Intangible assets are amortized over a period of three to five years on straight line basis.
 - e) An impairment loss is recognized where applicable when the carrying value of the fixed assets exceeds its market value or value in use, whichever is higher.
- iv. **GOVERNMENT GRANTS**
Grants / Subsidies that relate to Capital Expenditure are deducted from the cost of the assets. Other grants / subsidies are credited to the Profit and Loss Account.
- v. **INVESTMENTS**
Investments that are readily realizable and intended to be held for not more than one year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost. However provision for diminution in value is made to recognize a decline other than temporary in the value of investments.
- vi. **INVENTORIES**
Inventories are stated at cost or net realizable value whichever is lower. Cost is determined on Weighted Average Basis. Cost comprises of expenditure incurred in the normal course of business in bringing such inventories to their location and condition.
Obsolete, slow moving and defective stocks are identified at the time of physical verification of stocks and where necessary, provision is made for such stocks.
- vii. **REVENUE RECOGNITION**
Revenue on contracts is recognized on percentage of completion method wherein the stage of completion is determined with reference to the ratio of the contract cost incurred for work performed upto the reporting date to the estimated total contract cost. In the case of unit rate contracts the stage of completion is determined with reference to the valuation of the actual amount of work completed as per the contracted rates. In cases where the current estimate of total contract cost and revenue indicate a loss, such loss is recognized as an expense.
- viii. **FOREIGN CURRENCIES**
Transactions in foreign currency are recorded in Rupees by applying the rate of exchange ruling at the time of transactions. Exchange differences arising on the settlement of transactions are recognized as income or as expense in the period in which they arise.
Monetary current assets and monetary current liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account. Non monetary items at the balance sheet date are stated at historical cost.
The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. The premium or discount arising at the inception of a forward exchange contract is amortised as expense or income over the life of the contract. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.
In respect of derivative contracts (other than forward exchange contracts covered under Accounting Standard 11 on 'The Effects Of Changes In Foreign Exchange Rates') gains and losses on settlement and mark to market loss (net) relating to outstanding contracts as on the Balance Sheet Date is recognized in the Profit and Loss Account.

SCHEDULES

20. Notes on Accounts (Contd.)

ix. INCOME FROM INVESTMENTS

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

x. EMPLOYEE BENEFITS

(a) Defined Contribution Plans

Provident Fund :

Contribution to Provident Fund, which is administered by an independent Trust / Fund maintained by the Regional Fund Commissioner, is charged to the Profit and Loss Account. In respect of Provident Fund contributions 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, Leave Encashment and Post Retirement Medical Benefit :

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

(c) Other Long Term Employee Benefits

Other long term employee benefits comprising of entitlement to accumulation of Sick Leave and Long Service Award is provided 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.

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.

xiii. PROVISIONS AND CONTINGENT LIABILITIES

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

SCHEDULES

20. Notes on Accounts (Contd.)

xiv. USE OF ESTIMATES

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

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

	As at 31st March, 2010 Rs. in '000	As at 31st March, 2009 Rs. in '000
3. Claims against the company not acknowledged as debt	9,964	–
4. (a) Estimated amount of contracts remaining to be executed on capital account and not provided for	–	7,054
(b) Other money for which the Company is contingently liable :		
(i) Excise Duty matters pending in appeal related to issues of applicability and classification	12,951	12,951
(ii) Sales Tax matters pending in appeal relating to disputes regarding assessable value and exemptions claimed	97,759	4,282
(iii) Service Tax Matters pending in appeal relating to issues of applicability	288,751	–
(iv) Income Tax matters pending in appeal	–	1,324
(v) Corporate guarantees given in favour of Subsidiary Companies	1,201,950	–
(vi) Other guarantees given	32,000	–
(vii) Standby letter of credit	57,73,75	–
(viii) Liquidated damages	Amount not readily ascertainable	–

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

5. Auditors' Remuneration:

Fees	2,000	1,250
Tax Audit	300	300
Miscellaneous Certificates	1,075	1,170
Out of Pocket Expenses	43	38
	3,418	2,758

SCHEDULES

20. Notes on Accounts (Contd.)

6. Directors' Remuneration:

	As at 31st March, 2010 Rs. in '000	As at 31st March, 2009 Rs. in '000
Remuneration to director included in Schedule 17 :		
Salary	16,950	12,530
Contribution to Provident and Other Funds	3,080	1,944
Perquisites, etc.	197	134
Directors' Fees	2000	580
	<u>22,227</u>	<u>15,188</u>

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

Name of Investment	For the year ended 31st March 2010		For the year ended 31st March 2009	
	No of Units (‘000)	Cost (Rs.‘000)	No of Units (‘000)	Cost (Rs.‘000)
IDFC Mutual Fund	91	1,15,290	82	96,825
McNally Sayaji Engineering Company Limited	531	119,059	—	—

8. The company had entered in September 2003 a joint venture agreement with Elsamex S.A. where officially it was appointed as a subcontractor in "West Bengal Corridor Development Project – Improvement of Gazole Hilli Section of SH 10 with a link to Balurghat from Patiram," (the project). However consequent to considerable delay in execution of the project the Public Works Department of Government of West Bengal (PWD) had terminated the contract in January 2006. The company and Elsamex S.A. felt that such delay in execution was due to the inability of PWD to hand over the stretch of land for widening of road and non-availability of construction drawings on time by PWD. The company has a legitimate claim of Rs.15,16,90,568 towards receivable and Rs.11,33,09,901 on account of deposit against Performance Guarantee. Elsamex S.A. 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 almost complete and 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.

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

		For the year ended 31st March 2010		For the year ended 31st March 2009	
		Quantity	Amount Rs. '000	Quantity	Amount Rs. '000
Raw Materials :					
a) Steel	Tonnes	51,600	2,959,606	58,105	1,915,750
			<u>2,959,606</u>		<u>1,915,750</u>
Components, Spare Parts, Stores, etc.					
b) Motors	Nos.	68	18,935	—	—
c) Belting	Meters	5,522	58,021	37,398	139,289
d) Pipes	Meters	204,923	158,664	91,857	69,014
e) Others			5,797,260		4,002,441
			<u>6,032,880</u>		<u>4,210,744</u>

SCHEDULES

20. Notes on Accounts (Contd.)

10. Break-up of Imported and Indigeneous Materials Consumed

	Percentage %	Amount Rs. '000	Percentage %	Amount Rs. '000
Raw Materials :				
a) Imported	—	—	—	—
b) Indigeneous	100.00%	2,959,606	100.00%	1,915,750
	100.00%	2,959,606	100.00%	1,915,750
Components, Spare Parts, Stores, etc				
a) Imported	13.33%	804,224	2.66%	112,163
b) Indigeneous	86.67%	5,228,656	97.34%	4,098,581
	100.00%	6,032,880	100.00%	4,210,744

11. Value of Import (CIF Basis)

	As at 31st March, 2010 Rs.'000	As at 31st March, 2009 Rs.'000
Components, Spare Parts and Stores	804,224	112,163
Capital Goods	53,747	97,821
	857,971	209,984

	As at 31st March, 2010 Rs.'000	As at 31st March, 2009 Rs.'000
12 a) Expenditure in Foreign Currency		
Travelling	6,245	2,645
Professional and consultation fees	1,66,102	118,314
Others	—	273
	172,347	145,842
	2009-10	2008-09
	Rs. in '000	Rs. in '000
b) Net dividend remitted in foreign currency		
No. of shareholders	—	1
No. of shares held	—	474,000
Dividend remitted	—	474
Year for which remitted	—	2007-08

13. There are no dues payable to Micro enterprises and Small enterprises on the basis of information available with the Company regarding Micro and Small Enterprise under Micro, Small and Medium Enterprises Development Act, 2006.

14. The Company has leasing arrangements in respect of operating leases for premises (residential, office, etc.). These leasing arrangements which are not non-cancellable are for a period of 3 years, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent under Schedule 17.

15. Information in respect of contracts in progress:

	2009-10 Rs. in '000	2008-09 Rs. in '000
Contract costs incurred	28,299,261	14,213,300
Add : Recognised profits net of recognised losses	1,655,235	950,387
Contract Revenues	29,954,496	15,163,387
Progress billing	31,759,889	14,915,946
Unbilled Revenues (Net)	(1,805,312)	247,741
Due from customers	806,967	951,489
Due to customers	2,612,361	703,748
Advance payments received	2,801,778	2,484,382
Amount of retentions	3,349,345	1,644,815

SCHEDULES

20. Notes on Accounts (Contd.)

16. Defined Benefit Plans :

As per Actuarial valuation as on 31st March, 2010 and recognised in the financial statements in respect of Defined Employee Benefit Schemes

Description	Gratuity (Funded)	Gratuity (Funded)	Leave Encashment (Unfunded)	Leave Encashment (Unfunded)	Post Retirement Medical Benefit (Unfunded)
	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000
	31.3.2010	31.3.2009	31.3.2010	31.3.2009	31.3.2010
(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	19,897	40,746	24,429	23,031	–
Less : transferred consequent to scheme of arrangement	–	(26,670)	–	(7,111)	–
Current Service Cost	6,513	3,956	4,219	961	195
Interest Cost	2,344	1,444	2,522	1,614	–
Actuarial (Gains)/Losses	6,510	1,789	13,183	6,610	–
Benefits Paid	–	(1,368)	(269)	(676)	–
Present Value of Obligation at the end of the year	35,264	19,897	41,355	24,429	195
(b) Reconciliation of the Opening and Closing balances of Plan Assets					
Fair Value of Plan Assets at the beginning of the year	16,578	30,309	–	–	–
Less : transferred consequent to scheme of arrangement	–	(17,300)	–	–	–
Actual Return on Plan Assets	1,638	1,257	–	–	–
Actuarial Gains/(Losses) on plan Assets	(49)	(59)	–	–	–
Contributions	3,799	3,739	269	676	–
Benefits paid	–	(1,368)	(269)	(676)	–
Fair Value of Plan Assets at the end of the year	21,966	16,578	–	–	–
(c) Expense recognised in the Profit and Loss Account					
Current Service Cost	6,513	3,956	4,219	961	195
Interest Cost	2,344	1,444	2,522	1,614	–
Actual Return on Plan Assets	6,510	1,789	–	–	–
Actuarial (Gains)/Losses	(1,638)	(1,257)	13,183	6,610	–
Actuarial Loss/(Gains) on plan Assets	49	59	–	–	–
Total Expense recognized	13,778	5,991	19,924	9,185	195
(d) Category of Plan Assets :					
Fund with LIC	21,966	16,578	–	–	–
Total	21,966	16,578	–	–	–
(e) Actuarial Assumptions					
Discount Rate (Per annum)	7.50%	7.50%	7.50%	7.50%	7.50%
Expected Rate of Return on Assets (Per annum)	8.50%	8.50%	8.00%	8.00%	0.00%
Mortality Rate	In accordance with standard table LIC (1994-96) ultimate	In accordance with standard table LIC (1994-96) ultimate	In accordance with standard table LIC (1994-96) ultimate	In accordance with standard table LIC (1994-96) ultimate	In accordance with standard table LIC (1994-96) ultimate

SCHEDULES

20. Notes on Accounts (Contd.)

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

Particulars	Gratuity (Funded)	Gratuity (Funded)	Gratuity (Funded)	Leave Encashment (Unfunded)	Leave Encashment (Unfunded)	Leave Encashment (Unfunded)	Post Retirement Medical Benefit (Unfunded)
	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000
	31.3.2010	31.3.2009	31.3.2008	31.3.2010	31.3.2009	31.3.2008	31.3.2010
Present Value of Obligation at the end of the year	35,264	19,897	40,746	41,355	24,429	23,031	195
Fair Value of Plan Assets at the end of the year	21,966	16,578	30,309	—	—	—	—
Assets/(Liabilities) recognized in the Balance Sheet	(13,297)	(3,319)	(10,437)	(41,355)	(24,429)	(23,031)	(195)
Experience Gain/(Loss) adjustments on plan liabilities	6511	1789	Not Available	—	—	—	—
Experience Gain/(Loss) adjustments on plan assets	(48900)	(59)	Not Available	—	—	—	—

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 two year instead of four financial years as required by Accounting Standard - 15 (Revised 2005) on Employees Benefits are provided, this being only the third year of adoption of the Standard.
 - The fair value of plan asset have been segregated between the company and the erstwhile product division of MBECCL now a part of McNally Sayaji Engineering Limited on the basis of the present value of the obligations as at the end of the year.
 - Amount recognized as an expense :
 - Contribution to Salaries, wages , bonus include charge on account of Leave Encashment Rs.19,925,293/- (2008-09- Rs. 91,84,920/-).
 - Contribution to Provident and other Funds includes charge on account of Gratuity Rs.13,778,311/- (2008-09- Rs. 59,90,894).
 - Contribution to Workmen and staff welfare includes charge on account of Long Service Award of Rs. 271,692/- (2008-09-Rs. 46,687/-) Sick Leave of Rs.10,369,023/- (2008-09-Rs.5,558,013/-) and on account of post Retirement Medical Benefit Rs. 194,885 (2008-09- Rs. NIL).
 - Contribution to provident and other funds in Schedule 17 includes Rs. 37,515,218 (2008-09 Rs. 15,222,158) towards contribution to Defined Contribution plans viz. Provident Fund, Pension Fund and Superannuation Fund.
17. Related party disclosures as required by Accounting Standard 18 on Related Party Disclosures are as given below:

Relationships

- Subsidiaries of the Company
 - EWB Kornyezetvedelmi Limited
 - McNally Sayaji Engineering Limited (MSEL)
 - McNally Bharat Equipments Limited (MBEL)
 - McNally Bharat Infrastructure Limited (MBIL)
 - MBE Holdings Pte Limited
- Subsidiary of MBE Holdings Pte Limited
 - MBE Coal & Minerals Technology GmbH
 - MBE Cologne Engineering GmbH
 - MBE Minerals (S.A.) Proprietary Limited
 - Humbolt Wedag Minerals India (Private) Limited

SCHEDULES

20. Notes on Accounts (Contd.)

- c) Key Management Personnel :
Mr. Srinivash Singh - Managing Director
I) Relating to parties referred in (a) & (b) above.

	Rs. in' 000	Rs. in' 000	Rs. in' 000	Rs. in' 000	Rs. in' 000	Rs. in' 000	Rs. in' 000	Rs. in' 000
	Humboldt Wedag India Pvt Ltd.	MBE Holdings PTE Ltd. Singapore	MBE Cologine Engineering GmbH	MBE Coal and Mineral Technology GmbH	EWB Kornyezet- vedelmi Kft Hungary	McNally Sayaji Engineering Limited	McNally Bharat Equipments Limited	McNally Bharat Infrastructure Limited
Purchase of Materials and components	8,201 (-)	-	- (-)	- (-)	320 (4,412)	1,467,724 (554,929)	- (-)	- (-)
Rendering of services	- (-)	- (-)	- (-)	- (-)	- (-)	10,704 (48,783)	- (-)	- (-)
Purchase of service	- (-)	- (-)	- (-)	- (-)	12,199 (-)	- (-)	- (-)	- (-)
Sale of contracts	- (-)	- (-)	- (-)	- (-)	- (-)	- (14,294)	- (-)	- (-)
Supply of Raw material	- (-)	- (-)	- (-)	- (-)	- (-)	5,308 (92,181)	- (-)	- (-)
Other expenses	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (4)	- (4)
Loans given and repaid	55,000 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Guarantee given	20,000 (-)	969,990 (-)	60,560 (-)	151,400 (-)	- (-)	- (-)	- (-)	- (-)
Standby Letter of Credit given	- (-)	577,375 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Dividend income	- (-)	- (-)	- (-)	- (-)	- (1,323)	9,495 (-)	- (-)	- (-)
Advance against equity	- (-)	10,447 (-)	- (-)	- (-)	- (-)	- (-)	829 (-)	- (-)
Interest received on loan	2,085 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Investment made	- (-)	82,672 (-)	- (-)	- (-)	- (-)	- (754,731)	- (-)	- (-)
Share capital subscribed	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (994)	- (994)
Receivable on account of transfer of Product Division	- (-)	- (-)	- (-)	- (-)	- (-)	- (820,000)	- (-)	- (-)
Outstanding balance of advance given	157 (-)	10,448 (-)	- (-)	- (-)	- (-)	316,950 (95,693)	- (100)	829 (100)
Investments Outstanding	- (-)	82,672 (-)	- (-)	- (-)	7,427 (7,427)	1,445,671 (754,731)	994 (994)	994 (994)
Outstanding on account of Standby Letter of Credit given	- (-)	577,375 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Outstanding on account of Recovery of Expenses	- (-)	- (-)	- (-)	- (-)	- (-)	73,984 (-)	- (-)	- (-)
Guarantees Outstanding	20,000 (-)	969,990 (-)	60,560 (-)	151,400 (-)	- (-)	- (-)	- (-)	- (-)
Outstanding receivable for supply of services	- (-)	- (-)	- (-)	- (-)	- (-)	5,515 (-)	- (-)	- (-)
Outstanding payable for materials and components	7,750 (-)	- (-)	- (-)	- (-)	8,470 (-)	1,068,938 (238,800)	- (-)	- (-)
II) Relating to persons referred to in (c) above								Rs. in '000
Remuneration Paid								20,227 (14,608)
Dividend Paid								3.6 (2.9)

*Figures in bracket are for the year ended 31st March 2009

18. Earnings per Share

SCHEDULES

	As at 31st March, 2010 Rs. in '000	As at 31st March, 2009 Rs. in '000
Net profit attributable to equity shareholders		
Profit after tax	346,934	341,169
Net profit available for basic earnings per share	346,934	341,169
Net profit attributable to equity shareholders		
Net profit available for basic earnings per share	346,934	341,169
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	346,934	341,169
No. of weighted average equity shares		
Basic	31,093,818	31,074,037
Effect of dilutive equity shares on account of : Foreign Currency Convertible Bonds and Convertible warrants	–	–
Diluted	31,093,818	31,074,037
Nominal value of equity share (Rs.)	10.00	10.00
Earnings per share (Rs.)		
Basic	11.16	10.98
Diluted	11.16	10.98

SCHEDULES

20. Notes on Accounts (Contd.)

19.	Currency pair	As at		As at	
		31st March, 2010		31st March, 2009	
		Buy	Sell	Buy	Sell
		('000)	('000)	('000)	('000)
(a) The Company uses Forward Exchange and other derivative Contracts to hedge its exposures in foreign currency. The information on such contracts outstanding as at year end are as follows:					
– Loans	USD/INR	19,436	–	3,344	–
– Payables	EUR/INR	–	–	42	–
(b) Foreign Exchange Currency Exposures recognised by the Company that have not been hedged by a Derivative Instrument or otherwise as at year end:					
– Payables	USD/INR	98	–	769	–
	EUR/INR	1,103	–	3160	–
	JPY/INR	1064	–	1064	–
	Swedish Kronor/INR	2,700	–	–	–

20. Pursuant to the Announcement on Accounting for derivatives issued by the Institute of Chartered Accountants of India in March, 2008, the company has accounted for during the year net loss amounting to Rs 52,826,056 (31.3.09-Nil) in respect of outstanding derivative contracts at the balance sheet date by marking them to market as indicated in Note 1 (viii) above. The aforesaid mark to market loss was included in "Loss on Exchange Fluctuation" in schedule 17 to accounts.
21. During the year the company has set up a wholly owned subsidiary company, MBE Holdings Pte Limited in Singapore. MBE Holdings Pte Limited has in turn acquired the Coal and Mineral Technology division of KHD Humboldt Wedag GmbH. The Coal and Mineral Technology division operates through four legal entities which are subsidiaries of MBE Holdings Pte Limited viz MBE Coal and Mineral Technologies GmbH, MBE Calogne Engineering GmbH, MBE Minerals SA Pty Ltd. and Humboldt Wedag Minerals India Private Limited.
22. Previous years figures have been regrouped or rearranged where considered necessary.

Signature to Schedule 20

For **Lovelock & Lewes**
Firm Registration Number 301056E
Chartered Accountants
Partha Mitra
Partner
Membership No. 50553
Kolkata, 13th August, 2010

Deepak Khaitan - Chairman
Shanti Prasad Singhi - Vice Chairman
Prabir Ghosh - President & Chief Financial Officer
D. Chatterjee - Vice President & Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

	For the year ended 31st March, 2010		For the year ended 31st March, 2009	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
A. Cash Flow from Operating Activities :				
Net Profit Before Tax		532,426		513,676
Adjustments for :				
1. Depreciation	49,558		24,108	
2. Interest Charged	290,179		295,654	
3. Interest Income	(8,527)		(3,717)	
4. Dividend Income	(9,517)		(11)	
5. Loss/(Profit) on Disposal of Fixed Assets (Net)	(224)		271	
6. Loss/(Profit) on Sale of Investment (Net)	18,543		(5,575)	
7. Advance written off	143		18,138	
8. Liabilities no longer required written back	–		(143)	
9. Provision for employee benefits (Net)	41,311		6,212	
10. Fixed Assets written off	10,737		–	
11. Profit on transfer of Product Division	–		(230,719)	
12. Adjustment for Exchange Loss on Conversion of FCCB	–		16,470	
13. Mark to Market Loss on Derivative Contracts	52,825		–	
14. Unrealised (gain)/ loss on exchange (Net)	(31,384)	413,645	4,201	124,889
Operating Profit Before Working Capital Changes		946,071		638,565
Adjustments for :				
1. Trade & Other Receivables	(2,669,062)		(3,147,914)	
2. Inventories	(206,783)		(13,460)	
3. Trade Payables	2,386,304	(489,542)	2,315,391	(845,983)
Cash Generated from Operations		456,529		(207,418)
1. Direct Taxes Paid (net of refund received)	(164,382)		(91,026)	
		(164,382)		(91,026)
Net Cash from Operating Activities		292,147		(298,444)
B. Cash Flow from Investing Activities :				
Purchase of Fixed Assets	(467,139)		(253,083)	
Sale of Fixed Assets	1,325		987	
Interest Received	8,527		3,717	
Dividend Received	9,517		11	
Purchase of Current Investments	(125,800)		(97,281)	
Sale of Current Investments	116,500		228,950	
Purchase of Investment in subsidiary	(82,672)		(756,719)	
Sale of Investment in subsidiary	99,307	(440,435)	–	(873,418)
Net Cash used in Investing Activities		(440,435)		(873,418)

CASH FLOW STATEMENT (Contd.)

	For the year ended 31st March, 2010		For the year ended 31st March, 2009	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
C. Cash Flow from Financing Activities :				
Interest Paid	(290,400)		(292,254)	
Proceeds from Long Term Borrowings	465,054		545,952	
Repayment of Long Term Borrowings	(77,439)		–	
Proceeds from Other Borrowings (Net)	143,518		628,302	
Dividend paid (including tax thereon)	(44,696)	196,037	(36,988)	845,012
Net Cash from Financing Activities		196,037		845,012
Net Increase/(Decrease) in Cash and Cash Equivalents		47,749		(326,850)
Cash & Cash Equivalents (Opening Balance)		278,440		705,012
Less: Transfer to MSEL		–		(99,722)
Cash & Cash Equivalents (Closing Balance)		326,189		278,440

Notes to the Cash Flow Statement for the year ended 31st March 2010

- Cash & Cash Equivalents:

Cash in Hand	5,426	3,257
Cheques in Hand	51,100	52,126
Remittance in Transit	–	13,045
With Scheduled Banks:		
On Current Account	262,810	206,360
On Deposit Account	6,853	3,652
	326,189	278,440
 - The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement.
 - Previous year's figure have been rearranged and/or regrouped wherever necessary.
- This is the Cash Flow Statement referred to in our report of even date.

For **Lovelock & Lewes**
Firm Registration Number 301056E
Chartered Accountants
Partha Mitra
Partner
Membership No. 50553
Kolkata, 13th August, 2010

Deepak Khaitan	- Chairman
Shanti Prasad Singhi	- Vice Chairman
Prabir Ghosh	- President & Chief Financial Officer
D. Chatterjee	- Vice President & Company Secretary

STATEMENT REGARDING SUBSIDIARY COMPANIES

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

- The interest of McNally Bharat Engineering Company Limited in its Subsidiary Companies at the close of its financial year 31st March 2010 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)	6,329,698 Equity Shares of Rs.10 each fully paid up issued by the Subsidiary Company
b) EWB Kornyezvetvelmi Kft	99% subsidiary of McNally Bharat Engineering Ltd
c) McNally Bharat Infrastructure Ltd	99400 Shares
d) McNally Bharat Equipments Ltd	99400 Shares
c) MBE Holding Pte Ltd	248,570 Shares of 10 Singapore Dollar each

- 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 31.3.2010	Profit/Loss for the Previous Year since they became Subsidiary
a) McNally Sayaji Engineering Ltd (formerly Sayaji Iron and Eng Co Ltd)	Rs. 2337.28 Lacs	Rs. 1945.73 Lacs
b) EWB Kornyezvetvelmi Kft	HUFLOINT '000 104836	HUFLOINT '000 39221
c) McNally Bharat Infrastructure Ltd	Rs. 3.20 Lacs	—
d) McNally Bharat Equipments Ltd	Rs. 0.62 Lacs	—
e) MBE Holding Pte Ltd	Rs. (-) 170.18 Lacs	—

- 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 31.3.2010	Profit/Loss for the Previous Year since they became Subsidiary
a) McNally Sayaji Engineering Ltd (formerly Sayaji Iron and Eng Co Ltd)	—	—
b) EWB Kornyezvetvelmi Kft	—	—
c) McNally Bharat Infrastructure Ltd	—	—
d) McNally Bharat Equipments Ltd	—	—

Kolkata, 13th August, 2010

Deepak Khaitan - Chairman
Shanti Prasad Singhi - Vice Chairman
Prabir Ghosh - President & Chief Financial Officer
D. Chatterjee - Vice President & Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No. : U45202WB1961PLC025181	State Code	21
Balance Sheet Date 31st March, 2010		

II. CAPITAL RAISED DURING THE YEAR

(Amounts in Rs. Thousands)

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

III. POSITION OF MOBILISATION AND

DEPLOYMENT OF FUNDS

(Amount in Rs. Thousands)

Total Liabilities	4,264,184	Total Assets	4,264,184
-------------------	-----------	--------------	-----------

SOURCES OF FUNDS

Paid-up Capital	310,938	Reserves & Surplus	1,943,237
Secured Loans	2,010,007	Unsecured Loans	Nil

APPLICATION OF FUNDS

Net Fixed Assets	874,964	Investments	1,567,674
Net Current Assets	1,915,229	Miscellaneous	
Accumulated Losses	Nil	Expenditure	Nil

IV. PERFORMANCE OF COMPANY

(Amount in Rs. Thousands)

Turnover	14,873,606	Total Expenditure	14,341,180
Profit before Tax	532,426	Profit after Tax	346,934
Earnings per share in Rs.	11.16	Dividend Rate %	15

V. GENERIC NAME OF THREE PRINCIPAL

PRODUCTS/SERVICES OF COMPANY

(as per monetary terms)

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

Kolkata, 13th August, 2010

Deepak Khaitan - Chairman
Shanti Prasad Singhi - Vice Chairman
Prabir Ghosh - President & Chief Financial Officer
D. Chatterjee - Vice President & Company Secretary

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

THE BOARD OF DIRECTORS OF MCNALLY BHARAT ENGINEERING COMPANY LIMITED

We have audited the attached consolidated balance sheet of McNally Bharat Engineering Company Limited (the "Company") and its subsidiaries hereinafter referred to as the "Group" (refer Note 1(b) on Schedule 21 to the attached consolidated financial statements) as at 31st March 2010, the related consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. 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.
2. We did not audit the financial statements of four subsidiaries included in the consolidated financial statements, which constitute total assets of Rs 2,316,739 (in '000) and net assets of Rs 578588 (in '000) as at 31st March 2010, total revenue of Rs. 1,683,573 (in '000), net profit of Rs 8248 (in '000) and net cash flows amounting to Rs. 66,208 (in '000) for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
3. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements notified under sub-section 3C of Section 211 of the Companies Act, 1956.
4. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2010;
 - (b) in the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Kolkata, 31st August 2010

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

CONSOLIDATED FINANCIAL STATEMENT BALANCE SHEET AS AT 31st MARCH 2010

	Schedule		As at 31st March 2010 (Rs.'000)	As at 31st March 2009 (Rs.'000)
I. SOURCES OF FUNDS				
1. Shareholders' Funds				
a) Capital	1	310,938	310,938	
b) Share warrant application money		8,138	—	
c) Share warrant application money pending allotment		15,578	—	
d) Reserves and Surplus	2	2,293,922	2,628,576	2,077,307
			534,042	123,367
2. Minority Interest				
3. Loan Funds				
a) Secured Loans	3	3,412,657	2,130,320	
b) Unsecured Loans	4	72,201	3,484,858	2,135,023
4. Deferred Tax Liability	14		174,227	142,378
Total			6,821,703	4,478,075
II. APPLICATION OF FUNDS				
1. Fixed Assets				
a) Gross Block		3,781,531	2,589,661	
b) Less : Depreciation and Amortisation		573,573	334,229	
c) Net Block	5		3,207,958	2,255,432
2. Capital Work In Progress			41,076	113,498
3. Investments	6		27,264	15,419
4. Current Assets, Loans and Advances				
a) Inventories	7	1,172,895	772,861	
b) Sundry Debtors	8	11,345,823	6,687,352	
c) Cash and Bank Balances	9	1,245,709	418,041	
d) Other Current Assets	10	852,001	951,799	
e) Loans and Advances	11	2,089,704	1,138,852	
		16,706,132	9,968,905	
Less : Current Liabilities and Provisions				
a) Liabilities	12	12,931,936	7,736,514	
b) Provisions	13	228,908	138,847	
		13,160,844	7,875,361	
Net Current Assets			3,545,288	2,093,544
5. Miscellaneous Expenditure (to the extent not written off or adjusted)				
a) Preliminary Expenses		117	111	
b) Preoperative Expenses		—	117	182
Total			6,821,703	4,478,075
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.

For **Lovelock & Lewes**
Chartered Accountants
Firm Registration Number 301056E
Partha Mitra
Partner
Membership No. 50553
Kolkata, 31st August, 2010

S. P. Singhi - Vice Chairman
Subir Ranjan Dasgupta - Director
Prabir Ghosh - President & Chief Financial Officer
D. Chatterjee - Vice President & Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

	Schedule	For the year ended 31st March 2010 (Rs '000)	For the year ended 31st March 2009 (Rs '000)
INCOME			
Sale of Equipments and contract revenue		17,391,841	11,300,910
Less : Excise Duty		283,604	229,424
		<u>17,108,237</u>	<u>11,071,486</u>
Energy Income - Wind Mill		11,511	13,127
Sale of Scrap		27,712	17,104
Sale of Trading Goods		671,220	11,015
Works Contract		202,358	10,800
Agency Commission		34,227	25,621
Other Income	15	99,223	17,136
Total		<u>18,154,488</u>	<u>11,166,289</u>
EXPENDITURE			
Materials	16	9,915,154	6,745,641
(Increase)/Decrease in Jobs-in-progress	17	317,001	(200,695)
Outsourcing Expenses to outsiders for job work		3,020,847	1,797,826
Expenses	18	3,390,474	1,752,243
Advance/ Debts written off/ Provision/ Liabilities written back (net)	19	24,008	25,079
Depreciation and Amortisation		163,665	95,010
Interest and Finance charges (Net)	20	425,821	362,108
Total		<u>17,256,970</u>	<u>10,577,212</u>
PROFIT BEFORE EXCEPTIONAL ITEMS		897,518	589,077
Profit on transfer of the Product Division of the Company as per Scheme of Arrangement		–	230,719
PROFIT BEFORE TAXATION		897,518	819,796
TAXATION FOR THE YEAR			
Current Tax	305,819		180,807
Deferred Tax	25,127		99,700
Fringe Benefit Tax	–		7,457
		<u>330,946</u>	<u>287,964</u>
PROFIT AFTER TAXATION		566,572	531,832
Less : Proportionate share of pre acquisition profit adjusted with Goodwill		–	41,892
Less : Minority Interest		71,503	54,470
		<u>495,069</u>	<u>435,470</u>
Add : Brought forward from previous year		808,316	438,062
		<u>1,303,385</u>	<u>873,532</u>
APPROPRIATIONS			
Proposed Dividend		46,641	38,867
Dividend Tax		8,272	8,349
Transfer to General Reserve		18,100	18,000
Balance carried forward		1,230,372	808,316
		<u>1,303,385</u>	<u>873,532</u>
Notes on Accounts			
Earnings per Share (Refer Note 26 on Schedule 22)	21		
- Basic		15.92	14.01
- Diluted		15.92	14.01
Schedules referred to above form an integral part of the Profit and Loss Account.			
This is the Profit and Loss Account referred to in our Report of even date.			

For **Lovelock & Lewes**
Chartered Accountants
Firm Registration Number 301056E
Partha Mitra
Partner
Membership No. 50553
Kolkata, 31st August, 2010

S. P. Singhi - Vice Chairman
Subir Ranjan Dasgupta - Director
Prabir Ghosh - President & Chief Financial Officer
D. Chatterjee - Vice President & Company Secretary

SCHEDULES

	As at 31st March 2010 (Rs '000)	As at 31st March 2009 (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 Equity Shares of Rs. 10/- each fully paid up	310,938	310,938
Total	310,938	310,938
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		
2. Reserves and Surplus		
Capital Redemption Reserve		
Balance as per Last Account	100	100
Add: Addition during the year	—	—
Balance as at 31st March, 2010	100	100
Capital Reserve		
Balance as per Last Account	—	—
Add : Addition during the year	31,759	—
Balance as at 31st March, 2010	31,759	—
Securities Premium Account		
Balance as per last account	846,030	524,064
Add : Addition during the year	—	321,966
Balance as at 31st March, 2010	846,030	846,030
Revaluation Reserve as per last account	22,337	52,044
Add : Addition during the year	—	—
Add Acquired on acquisition of subsidiary	—	22,337
Less : Amount withdrawn on assets transferred	—	52,044
Balance as at 31st March, 2010	22,337	22,337
Foreign currency translation reserve	(1,692)	1,121
General Reserve		
Balance as per last account	88,465	70,465
Add : Transferred from Profit and Loss account	18,100	18,000
Balance as at 31st March, 2010	106,565	88,465
Profit and Loss Account		
Balance as per last account	808,316	438,062
Add: Profit for the year	422,056	370,254
Add Adjustment due to dilution of holding in subsidiary	58,451	—
Balance as at 31st March, 2010	1,288,823	808,316
Total	2,293,922	1,766,369

SCHEDULES

	As at 31st March 2010 (Rs '000)	As at 31st March 2009 (Rs '000)
3. Secured Loans		
From Banks :		
Overdraft including Working Capital Demand Loans	1,541,059	1,121,241
Term Loans	1,858,317	991,052
Car Loans	3,825	2,299
Secured by hypothecation of motor vehicles acquired out of these loans.		
From Others :		
Equipment Finance Loan	8,578	15,728
Secured by hypothecation of the tangible movable assets acquired out of these loans.		
Car Loan	878	—
Secured by hypothecation of motor vehicles acquired out of these loans.		
Total	3,412,657	2,130,320
4. Unsecured Loans		
Short Term Loan :		
From Banks (overdraft)	—	1,304
Bills Discounted	69,665	—
From others	—	2,498
Other Loans :		
From others	2,536	—
Car Loan	—	901
Total	72,201	4,703

SCHEDULE

5. Fixed Assets

Particulars	GROSS BLOCK AT COST / VALUATION					DEPRECIATION/ AMORTISATION					NET BLOCK	
	As at 1st April, 2009	Additions on acquisition of subsidiary	Additions	Sales/ Adjustments	As at 31st March, 2010	As at 1st April, 2009	Additions on acquisition of subsidiary	For the year	Sales/ Adjustments	As at 31st March, 2010	As at 31st March, 2010	As at 31st March, 2009
TANGIBLE ASSETS :												
Free Hold Land **	113,166	—	137,831	8,059	242,938	—	—	—	—	—	242,938	113,166
Lease Hold Land *	98,626	99	—	(6)	98,731	880	70	875	—	1,825	96,906	97,746
Building **	433,587	3,526	84,507	(197)	521,817	47,742	3,119	14,709	—	65,570	456,247	385,845
Plant & Machinery	1,023,479	6,665	427,304	1,596	1,455,852	200,683	8,647	72,533	1,567	280,296	1,175,556	822,796
Furniture & Fixture	36,414	160,098	79,771	20,648	255,635	10,836	61,153	17,456	7,513	81,932	173,703	25,578
Refrigerators & Air Conditioners	9,925	—	12,824	531	22,218	1,252	32	720	99	1,905	20,313	8,673
Office Equipments	26,701	—	37,826	480	64,047	18,463	108	2,453	384	20,640	43,407	8,238
Vehicles	12,628	1,896	5,108	1,241	18,391	3,673	926	1,667	802	5,464	12,927	8,955
Telephone Plant	1,709	—	4,374	1,016	5,067	353	5	112	278	192	4,875	1,356
Cooking appliances	89	—	—	—	89	1	—	—	—	1	88	88
Intangible Assets												
Goodwill	579,835	104,505	121,548	44,649	761,239	—	—	—	—	—	761,239	579,835
Technology for :												
Pumps	1,977	—	—	—	1,977	1,977	—	—	—	1,977	—	—
Designs and drawings	225,000	—	—	—	225,000	32,218	1,355	30,788	—	64,361	160,639	192,782
Computer software	26,525	20,726	60,597	(682)	108,530	16,151	10,907	22,352	—	49,410	59,120	10,374
Total	2,589,661	297,515	971,690	77,335	3,781,531	334,229	86,322	163,665	10,643	573,573	3,207,958	2,255,432
Previous Year	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	—

* 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). (2008-09 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.

** Land of Rs 56,554,138 (2008-09 Rs 56,554,138) and Building of Rs 6,202,269 (2008-09 Rs 6,202,269) acquired at a consolidated price apportioned on the basis of Municipal valuation.

SCHEDULES

	As at 31st March 2010 (Rs '000)	As at 31st March 2009 (Rs '000)
6. Investments -Unquoted unless otherwise stated		
Current - Other than trade		
Investment in 15296.174units (2008-09 7229.747) Units of IDFC Liquid Fund - Growth	19,387	8,878
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 Global 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
3994 Units of Rs.10/- each of HDFC Prudence Fund - Growth	705	—
20000 Units of Rs. 10/- each Reliance Equity Fund	200	200
10645 Units of Rs. 10/- each DSPML T.I.G.E.R 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
50000 Units of Rs. 10/- each HDFC Long term Equity Fund	—	500
2000 (2008-09 - 1000) Equity Shares of Rs. 10/- each Bharti Airtel Ltd (Quoted)	409	409
800 (2008-09 - 400) Equity Shares of Rs. 10/- each - Reliance Industries Ltd (Quoted)	369	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 shares of Rs25 each in Co Operative Bank of Baroda Limited	3	3
4516 Equity Shares of Rs25 each in 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
	27,264	16,663
Less : Provision for Diminution in Investment value	—	1,244
Total	27,264	15,419
Aggregate Book Value of Unquoted Investment	26,030	15,429
Aggregate Book Value of Quoted Investment	1,234	1,234
Aggregate Market Value of Quoted Investment	5,099	2,137

SCHEDULES

	As at 31st March 2010 (Rs '000)	As at 31st March 2009 (Rs '000)
7. Inventories		
Stores and Spare Parts	161,196	133,019
Loose Tools	8,618	10,028
Raw Materials	560,429	225,869
Jobs-in-Progress	435,963	379,677
Finished Goods	6,689	24,268
Total	1,172,895	772,861
8. Sundry Debtors		
Unsecured		
Debts outstanding for a period exceeding six months		
- Considered good	3,708,839	1,772,925
- Considered doubtful	44,181	4,563
	3,753,020	1,777,488
Less : Provision for doubtful debts	44,181	4,563
	3,708,839	1,772,925
Other Debts - Considered good	7,636,984	4,914,427
Total	11,345,823	6,687,352
9. Cash and Bank Balances		
Cash in hand	8,101	4,932
Cheques in hand	51,100	52,126
Remittance in transit	–	13,045
With Scheduled Banks		
On Current Account	1,107,610	300,760
On Deposit Account	78,898	47,178
Total	1,245,709	418,041

SCHEDULES

	As at 31st March 2010 (Rs '000)	As at 31st March 2009 (Rs '000)
10. Other Current Assets		
Interest Receivable	716	310
Due from Customers (Project related activity)	851,285	951,489
Total	852,001	951,799
11. Loan and Advances - Unsecured considered Good		
Advances recoverable in cash or in kind or for value to be received	1,782,067	884,101
Less: Provision for Doubtful Advance	2,042	1,411
	1,780,025	882,690
Balance with Customs, Port Trust, etc	178,274	104,913
Deposits with Government, Public bodies and Others	131,405	151,249
Total	2,089,704	1,138,852
12. Current Liabilities		
Acceptances	207,190	451,380
Sundry Creditors		
– Total outstanding dues of Micro and Small enterprises	15,843	7,622
– Total outstanding dues of creditors other than micro and small enterprises	6,335,305	6,351,148
	<u>6,351,148</u>	<u>3,501,006</u>
Due to Customers (Project related activity)	2,765,613	703,748
Advance Payment from customers	3,031,268	2,726,215
Other Liabilities	550,697	322,525
Interest accrued but not due on loan	26,020	24,018
Total	12,931,936	7,736,514
There are no amounts due and outstanding to be credited to Investor Education and Protection Fund		
13. Provisions		
Proposed Dividend	46,641	38,867
Dividend Tax	9,156	8,481
Provision for Employee Benefits	101,697	61,086
Provision for Taxation (Net)	71,414	30,413
Total	228,908	138,847
14. Deferred Tax		
Deferred Tax Liabilities :		
– Depreciation	199,450	155,005
– Other items	25,221	–
Deferred Tax Assets :		
– Sec 43B items	(19,717)	(12,047)
– Other items	(30,727)	(580)
Total	174,227	142,378

SCHEDULES

	For the year ended 31st March 2010 (Rs.'000)	For the year ended 31st March 2009 (Rs.'000)
15. Other Income		
Service Income	43,093	9,745
Income from Investment- other than trade	487	761
Profit on Sale of Fixed Assets (Net)	5,889	—
Profit on Sale of Current Investment (Net)	1,210	5,827
Insurance Claim Received	—	486
Miscellaneous Income	32,394	317
Liabilities no longer required written back	15,019	—
Provision for dimunition in investment value no longer required written back	1,131	—
Total	99,223	17,136
16. Materials		
Balance as at 1st April 2009	225,869	123,756
Add : Acquired on acquisition of subsidiary	198,876	6,237
Add : Purchases	4,505,070	2,563,233
	4,929,815	2,693,226
Less : Balance as at 31st March 2010	560,429	225,869
Consumption of Raw Materials	4,369,386	2,467,357
Consumption of bought out Components and Spare Parts	5,545,768	4,274,904
Purchase of Traded Goods	—	3,380
Total	9,915,154	6,745,641
17. (Increase)/Decrease in Stock		
Opening Stock		
Job-in-Progress	379,677	105,549
— Acquired on acquisition of subsidiary	355,708	84,927
Finished Goods	24,268	—
— Acquired on acquisition of subsidiary	—	12,774
	759,653	203,250
Less : Closing Stock		
Job-in-Progress	435,963	379,677
Finished Goods	6,689	24,268
	442,652	403,945
Total	317,001	(200,695)

SCHEDULES

	For the year ended 31st March 2010 (Rs.'000)	For the year ended 31st March 2009 (Rs.'000)
18. Expenses		
Salaries, wages and bonus	1,114,377	589,435
Contribution to provident and other funds	84,811	42,397
Workmen and staff welfare expenses	69,176	35,310
Professional Services	304,511	108,615
Consumption of Stores and Spare Parts	1,457	12,956
Power and Fuel	102,513	34,672
Repairs to Building	1,977	4,681
Repairs to Machinery	14,362	12,981
Repairs - others	47,897	61,281
Rent	71,156	34,232
Subscriptions and donations	5,616	3,763
Bank charges	212,284	172,487
Rates and taxes	115,392	89,570
Insurance	35,911	20,936
Cartage and freight	549,014	249,627
Directors' fees	3,965	580
Travelling	225,003	145,974
Running and maintenance of vehicles	6,250	4,640
Loss on Sale of Investments	32,597	—
Royalty	21,812	10,709
Loss on Exchange Fluctuations (Net)	58,661	20,069
Commission expenses	12,922	4,875
Provision for bad and Doubtful Debts	28,299	2,756
Provision for bad and Doubtful Advance	632	1,411
Loss on sale of Fixed Assets (Net)	—	4,610
Loss on Diminution in Investment Value	—	1,244
Provision for Warranty	4,297	—
Site erection expenses	25,953	—
Miscellaneous expenses	239,629	89,813
	<u>3,390,474</u>	<u>1,759,624</u>
Less : Transferred to Fixed Assets/Capital to Work In Progress	—	7,381
Total	<u>3,390,474</u>	<u>1,752,243</u>

SCHEDULES

	For the year ended 31st March 2010 (Rs.'000)		For the year ended 31st March 2009 (Rs.'000)	
19. Advance/ Debts written off/ Provision/ Liabilities written back (net)				
Debts written off		21,878		9,987
Fixed Assets written off		10,737		
Advances written off		7,384		18,882
		<u>39,999</u>		<u>28,869</u>
Less :				
Debts/ Advances realised		15,991		–
Liabilities no longer required written back		–		3,790
Total		<u>24,008</u>		<u>25,079</u>
20. Interest and Finance charges				
Interest				
On Fixed Loans		195,206		80,292
On Others		208,748		251,109
		<u>403,954</u>		<u>331,401</u>
Less : Interest earned (gross)				
On Fixed Deposit and Others		3,139		5,013
On Sales Tax refund		–		703
On Income Tax refund		5,939		3,177
		<u>9,078</u>		<u>8,893</u>
		394,876		322,508
Bill Discounting charges		30,945		39,600
Total		<u>425,821</u>		<u>362,108</u>

SCHEDULES

21. 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 one subsidiary 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 asset. Impairment loss is recognized where applicable.

- (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 Kornyezetvedelmi Ltd	Hungary	99%	31/12/2009
McNally Sayaji Engineering Limited (MSEL)	India	70.41%	31/03/2010
McNally Bharat Equipments Limited	India	99.40%	31/03/2010
McNally Bharat Infrastructure Limited	India	99.40%	31/03/2010
MBE Holdings Pte Limited	Singapore	100%	31/03/2010
Humboldt Wedag Minerals India (Private) Limited (subsidiary of MBE Holding Pte limited)	India	100%	31/03/2010
MBE Coal & Minerals Technology Gmbh (subsidiary of MBE Holding Pte limited)	Germany	100%	31/03/2010
MBE Cologne Engineering Gmbh (subsidiary of MBE Holding Pte limited)	Germany	100%	31/03/2010
MBE Minerals (S.A.) Proprietary Limited. (subsidiary of MBE Holding Pte limited)	South Africa	75%	31/03/2010

- (ii) During the year the company has set up a wholly owned subsidiary company , MBE Holdings Pte Limited in Singapore. MBE Holdings Pte Limited has in turn acquired the Coal and Mineral Technology division of KHD Humboldt Wedag GmbH .The Coal and Mineral Technology division operates through four legal entities which are subsidiaries of MBE Holdings Pte Limited viz MBE Coal and Mineral Technologies GmbH , MBE Cologne Engineering GmbH , MBE Minerals SA Pty Ltd and Humboldt Wedag Minerals India Private Limited.
- (iii) During the year, the Parent Company has sold 531656 shares of its subsidiary McNally Sayaji Engineering Limited. McNally Sayaji Engineering Limited has also made a preferential allotment of 1633344 shares to certain Promoters/ Promoter group and strategic investors. This has resulted in dilution of holdings in MSEL by MBECL from 93.28% to 70.41% as on 31.3.2010.

SCHEDULE

21. Notes on Accounts (Contd.)

- (iv) During the year the subsidiary Company in Hungary viz EWB- MBE International Konyezetvedelmi Kft has merged with EWB Konyezetvedelmi Kft.
- (v) The financial statements of EWB Konyezetvedelmi Kft., the Hungarian based subsidiary of the company is 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 subsidiary 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, 2010 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	-	0.06 per cent
Net Current Assets	-	1.11 per cent
Total Income	-	1.62 per cent
Total Expenditure	-	1.53 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.

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.

SCHEDULES

21. Notes on Accounts (Contd.)

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.

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

j) Accounting of Claims

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

k) Income from Investments

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

SCHEDULE

21. Notes on Accounts (Contd.)

l) Employee Benefits

(i) Defined Contribution Plans

Provident Fund:

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

Pension :

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

(ii) Defined Benefit Plans

Gratuities , Leave Encashment and Post Retirement Medical Benifits

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

(iii) Other Long Term Employee Benefits

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

- (iv) Short Term Employee Benefits including compensated absence are recognised as an expense as per the Group's schemes based on expected obligation on an undiscounted basis.
- (v) Actuarial gains and losses are recognized in the Profit and Loss Account.
- (vi) With regard to overseas subsidiaries, liabilities for retirement benefits are determined as per the regulations and principles followed in the respective countries.

m) Borrowing Costs

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

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.

SCHEDULE

21. Notes on Accounts (Contd.)

o) Provisions and Contingent Liabilities

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

p) Use of Estimates

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

2. During the year McNally Sayaji Engineering Limited has issued and allotted 16,33,344 Equity Shares of Rs 10/- each at a premium of Rs 176/- per equity share on preferential basis to Promoters/ Promoter group and strategic investors in order to meet its long term funding requirements. The proceeds were fully utilized during the year. Further, 1,75,000 Convertible Warrants of Rs 186/- each, were also issued on a preferential basis to Promoters/ Promoter group and strategic investors, entitling the holder of the Warrants to apply for and be allotted one equity share of Rs. 10/- each fully paid-up, at a price of Rs. 186/- per share [including a premium of Rs. 176/-], or at such other higher prices in accordance with the applicable statutory Regulations, against each such warrant, at any time after the date of allotment but before the expiry of eighteen months from the date of allotment of the Warrants, in one or more tranches. The Company has called up and received 25% of the face value against allotment of each such warrant. Application money received from a strategic investor amounting to Rs.1,55,77,500 against issue of warrants is not available for use for by the Company as at year end, as the allotment of such warrants is kept in abeyance pending necessary approval from regulatory authorities. Such approval has, however, been obtained subsequent to year end.

	As at 31st March, 2010 Rs. in '000	As at 31st March, 2009 Rs. in '000
3. Estimated amount of contracts remaining to be executed on capital account and not provided for.	131,938	65,604
4. Other money for which the Group is contingently liable:		
a) Excise Duty matters pending in appeal related to issues of applicability and classification	21,638	22,511
b) Sales Tax matters pending in appeal relating to disputes regarding assessable value and exemptions claimed	194,009	6,344
c) Income Tax matters pending in appeal before tax authorities	—	1,324
d) Service Tax Matters pending in appeal relating to issues of liability applicability	288,751	—
e) Other guarantees given	32,000	—
f) Labour matters	835	983
g) Liquidated damages	Amount not readily ascertainable	—

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

SCHEDULE

21. Notes on Accounts (Contd.)

5. 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 almost complete and 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.
6. 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.
7. Information in respect of contracts in progress:

	2009-10 Rs. in '000	2008-09 Rs. in '000
Contract costs incurred	29,844,252	14,213,300
Add: Recognised profits net of recognised losses	2,080,654	950,387
Contract Revenues	31,924,906	15,163,687
Progress billing	33,839,234	14,915,946
Unbilled revenue (net)	(1,914,328)	247,741
Due from customers	851,285	951,489
Due to customers	2,765,613	703,748
Advance payments received	2,844,605	2,484,382
Amount of retentions	3,589,790	1,644,815

8. Capitalisation of Borrowing Cost :
Addition to Fixed Assets includes Rs. Nil (2008-09 Rs10,975,934/ included in Capital Work in Progress) towards capitalisation of interest on borrowings for acquiring qualifying assets in accordance with Accounting Standard 16 on Borrowing Cost.

SCHEDULE

21. Notes on Accounts (Contd.)

9. Defined Benefit Plans :

As per Actuarial valuation as on 31st March, 2010 and recognised in the financial statements in respect of Defined Employee Benefit Schemes

Description	Gratuity (Funded) as on 31.03.2010	Gratuity (Funded) as on 31.03.2009	Leave Encashment (Unfunded) As on 31.3.2010	Leave Encashment (Unfunded) As on 31.3.2009	Post Retirement Medical Benefit (Unfunded) as on 31.03.2010
	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000
(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	87,166	94,031	24,429	23,031	—
Less : transferred consequent to scheme of arrangement	—	(26,670)	—	(7,111)	—
Current Service Cost	10,581	6,552	4,219	961	195
Interest Cost	8,034	5,573	2,522	1,614	—
Actuarial (Gains)/Losses	9,601	3,824	13,183	6,610	—
Benefits Paid	(6,304)	(5,243)	(269)	(676)	—
Present Value of Obligation at the end of the year	109,077	78,067	41,355	24,429	195
(b) Reconciliation of the Opening and Closing balances of Plan Assets					
Fair Value of Plan Assets at the beginning of the year	69,379	67,824	—	—	—
Less : transferred consequent to scheme of arrangement	—	(17,300)	—	—	—
Actual Return on Plan Assets	6,186	4,408	—	—	—
Actuarial Gains/ (Losses)	(525)	27	—	—	—
Contributions	13,824	9,922	269	676	—
Benefits paid	(6,304)	(5,243)	(269)	(676)	—
Fair Value of Plan Assets at the end of the year	82,560	59,638	—	—	—
(c) Expense recognized in the Profit and Loss Account					
Current Service Cost	9,723	6,552	4,219	961	195
Interest Cost	7,181	5,573	2,522	1,614	—
Actual return on Plan Assets	(5,345)	(4,408)	—	—	—
Actuarial (Gains)/Losses	7,483	3,824	13,183	6610	—
Actuarial (Gains)/Losses on Plan Assets	(198)	(27)	—	—	—
Total Expense recognized	18,844	11,514	19,924	9,185	195
(d) Category of Plan Assets :					
Fund with LIC/ SBI Life Insurance Company	42,754	59,007	—	—	—
Others (Including Bank Balances)	28,525	630	—	—	—
Total	71,279	59,637	—	—	—
(e) Actuarial Assumptions					
Discount Rate (Per annum)	7.50%	7.50%	7.50%	7.50%	7.50%
Expected Rate of Return on Assets (Per annum)	8.50%	8.50%	8.00%	8.00%	0.00%
Mortality Rate	In accordance with standard table LIC (1994-96) ultimate				

SCHEDULE

21. Notes on Accounts (Contd.)

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

Particulars	Gratuity (Funded)	Gratuity (Funded)	Gratuity (Funded)	Leave Encashment (Unfunded)	Leave Encashment (Unfunded)	Leave Encashment (Unfunded)	Post Retirement Medical Benefit (Unfunded)
	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000	Rs.in'000
	31.3.2010	31.3.2009	31.3.2008	31.3.2010	31.3.2009	31.3.2008	31.3.2010
Present Value of Obligation at the end of the year	109,077	78,067	40,746	41,355	24,429	23,031	195
Fair Value of Plan Assets at the end of the year	82,560	59,638	30,309	—	—	—	—
Assets/ (Liabilities) recognized in the Balance Sheet	(26,517)	(18,430)	(10,437)	(41,355)	(24,429)	(23,031)	(195)
Experience Gain/ (loss) adjustments on plan liabilities	6511	1789	Not Available	—	—	—	—
Experience Gain/ (loss) adjustments on plan assets	(48900)	(59)	Not Available	—	—	—	—

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 two year instead of four financial years as required by Accounting Standard - 15 (Revised 2005) on Employees Benefits are provided, this being only the third year of adoption of the Standard.
- Amount recognized as an expense:
 - Contribution to Salaries, wages , bonus include charge on account of Leave Enachment Rs. 21,456,358 (2008-09- Rs.10,076,989).
 - Contribution to Provident and other Funds includes charge on account of Gratuity Rs. 20,347,008 (2008-09- Rs. 1,15,13,689) .
 - Contribution to Workmen and staff welfare includes charge on account of Long Service Award of Rs. 1,089,731 (2008-09 Rs 1,55,404), Sick Leave of Rs. 1,11,09,787 (2008 - 09-Rs.65,31,638) and on account of post Retirement Medical Benefit Rs.1,94,885 (2008-09- Rs.NIL).
 - Contribution to provident and other funds in Schedule 18 includes Rs. 4,74,95,061 (2008-09 Rs.22,29,338) towards contribution to Defined Contribution plans viz. Provident Fund, Pension Fund and Superannuation Fund.

10. 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. Shambhu Prasad - Whole time Director (From 15.9.08) (MSEL)

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

	(Rs. '000)
Remuneration	— 31,117 (22,164)
Dividend paid	— 3.6 (2.9)

Figures in bracket are for the year ended 31st March 2009.

SCHEDULE

21. Notes on Accounts (Contd.)

11. Earnings Per Share :

	As at 31st March, 2010 Rs. in '000	As at 31st March, 2009 Rs. in '000
Net profit attributable to equity shareholders		
Profit after tax	495,069	435,470
Net profit available for basic earnings per share	495,069	435,470
Net profit attributable to equity shareholders		
Net profit available for basic earnings per share	495,069	435,470
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	495,069	435,470
No. of weighted average equity shares		
Basic	31,093,818	31,074,037
Effect of dilutive equity shares on account of:		
Foreign Currency Convertible Bonds and Convertible warrants	–	14,972
Diluted	31,093,818	31,089,009
Nominal value of equity share (Rs.)	10.00	10.00
Earnings per share (Rs.)		
Basic	15.92	14.01
Diluted	15.92	14.01

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

For **Lovelock & Lewes**
Chartered Accountants
Firm Registration Number 301056E
Partha Mitra
Partner
Membership No. 50553
Kolkata, 31th August, 2010

S. P. Singhi - Vice Chairman
Subir Ranjan Dasgupta - Director
Prabir Ghosh - President & Chief Financial Officer
D. Chatterjee - Vice President & Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

	For the year ended 31st March, 2010		For the year ended 31st March, 2009	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
A. Cash Flow from Operating Activities:				
Net Profit Before Tax		897,518		819,796
Adjustments for:				
1. Depreciation	163,665		95,010	
2. Interest Charged	403,954		200,637	
3. Interest Income	(9,078)		(8,893)	
4. Dividend Income	(487)		(761)	
5. Loss/(Profit) on Sale of Fixed Assets (Net)	(5,889)		4,610	
6. Loss/(Profit) on Sale of Investment (Net)	–		(5,827)	
7. Bad Debts written off	21,878		9,987	
8. Advance written off	7,384		18,882	
9. Provision for bad and doubtful debts	28,299		2,756	
10. Provision for doubtful advances	632		1,411	
11. Liabilities no longer required written back	(15,019)		(3,790)	
12. Provision for employee benefits (Net)	40,611		22,629	
13. Fixed Assets written off	10,737		–	
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	(1,131)		1,244	
17. Unrealised (gain)/ loss on exchange (Net)	(31,384)		4,201	
18. Miscellaneous expenses	65		(182)	
19. Foreign exchange (gain)/ loss on consolidation	(2,813)		539	
20. Profit on Sale of Current Investments	(1,210)		–	
21. Loss on sale of Investments	32,597		–	
22. Mark to market loss on derivative transaction	52,825		–	
		695,636		128,204
Operating Profit before Working Capital Changes		1,593,154		948,000
Adjustments for :				
1. Trade and other receivables	(2,710,090)		(3,339,626)	
2. Inventories	(168,577)		(371,217)	
3. Trade Payables	1,901,875	(976,792)	2,526,958	(1,183,885)
Cash generated from/ (used in) Operations		616,362		(235,885)
1. Direct Taxes Paid (net of refund received)	(265,541)		(137,405)	
		(265,541)		(137,405)
Net Cash from/ (used in) Operating Activities		350,821		(373,290)
B. Cash Flow from Investing Activities:				
Purchase of Fixed Assets	(715,154)		(1,474,566)	
Sale of Fixed Assets	15,079		3,644	
Interest Received	8,672		8,769	
Dividend Received	487		761	
Purchase of investment in subsidiary	(343,458)		–	
Purchase of Current Investments	(126,505)		(93,136)	
Sale of Investments	117,113		229,059	
Sale of Investment in subsidiary	99,307	(944,459)	–	(1,325,469)
Net Cash from/ (used in) Investing Activities		(944,459)		(1,325,469)

CONSOLIDATED CASH FLOW STATEMENT (Contd.)

	For the year ended 31st March, 2010		For the year ended 31st March, 2009	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
C. Cash Flow from Financing Activities:				
Interest Paid	(400,334)		(176,354)	
Proceeds from share warrants application money	23,716		—	
Proceeds from Issue of Share Capital	303,801		—	
Proceeds from Long Term Borrowings	595,124		970,064	
Repayment of Long Term Borrowings	(128,658)		(13,382)	
Proceeds from Other Borrowings (Net)	903,283		646,731	
Repayment of Other Borrowings	—		(556)	
Dividend paid (including tax thereon)	(46,464)	1,250,468	(39,269)	1,387,234
Net Cash from/ (used in) Financing Activities		1,250,468		1,387,234
Net Increase/(Decrease) in Cash and Cash Equivalents		656,830		(311,525)
Cash and Cash Equivalents (Opening Balance)		418,041		706,272
Add: Taken over from MSEL		170,838		123,015
Less: Transfer to MSEL as per Scheme of Arrangement		—		(99,721)
Cash and Cash Equivalents (Closing Balance)		1,245,709		418,041
Notes to the Cash Flow Statement for the year ended 31st March 2010				
1. Cash and Cash Equivalents:				
Cash in Hand		8,101		4,932
Cheques in Hand		51,100		52,126
Remittance in Transit		—		13,045
With Scheduled Banks:				
On Current Account		1,107,610		300,760
On Deposit Account		78,898		47,178
		1,245,709		418,041

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

For **Lovelock & Lewes**
Chartered Accountants
Firm Registration Number 301056E
Partha Mitra
Partner
Membership No. 50553
Kolkata, 31st August, 2010

S. P. Singhi - Vice Chairman
Subir Ranjan Dasgupta - Director
Prabir Ghosh - President & Chief Financial Officer
D. Chatterjee - Vice President & Company Secretary

McNALLY BHARAT ENGINEERING COMPANY LIMITED

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

ATTENDANCE SLIP 47th Annual General Meeting

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

DP ID
Regd. Folio. No. *

CLIENT ID
No. of Shares

Name of Member

Name of Proxy

Address as registered with the Company

I/ We hereby record my presence at the Forty Seventh Annual General Meeting of the Company held on Thursday, the 30th day of September, 2010 at 11.00 A.M. at Rotary Sadan, 94/2, Chowringhee Road, Kolkata 700020.

Please (✓) in the box.

☐ Member ☐ Proxy

Member's Signature

Proxy's Signature

* Applicable for investor holding shares in physical form.

McNALLY BHARAT ENGINEERING COMPANY LIMITED

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

PROXY FORM 47th Annual General Meeting

DP ID
Regd. Folio. No. *

CLIENT ID
No. of Shares

I/ Webeing a Member of McNally Bharat Engineering Company Limited., hereby appoint of or failing him of as my/ our proxy to attend and vote for me/us on my/our behalf at the 47th Annual General Meeting of the Company scheduled to be held on Thursday, the 30th day of September, 2010 at 11.00 A.M. at Rotary Sadan, 94/2, Chowringhee Road, Kolkata 700020, or/and at any adjournment thereof.

Signed by the said

* Applicable for investors holding shares in physical form.

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



McNally Bharat Engineering Company Limited

Ecospace 11F/12 Old Plot No AA II/Blk 3 New Town Rajarhat North 24 Parganas Kolkata 700156

T +91 33 66281111 **F** +91 33 66282277