

Annual Report 2013-14



McNally Bharat Engineering Company Limited



FROM THE CHAIRMAN'S DESK

The year 2013-14 has probably been the most difficult year for the Indian Economy in the last decade.

It is estimated that we will end the year 2013-14 with sub-5% GDP for the 2nd year running. The last time we had two consecutive years of sub-5% growth was during the pre-reform period during 1988-89.

Industrial activity recorded contraction during the majority part of the year 2013-14. Slow-down in Corporate Investment and Infrastructure development are indicated as the main reasons for the decline in growth and consequently slow growth in Industrial output was the main drag on GDP growth.

The year 2013-14 has been the most challenging year for MBE in the last decade.

Tighter monetary policy, high interest rates and slow-down in infrastructure development caused many projects to slow down or suspended temporarily. This resulted in our working capital being blocked in some projects under execution for much longer period than envisaged, resulting in shortage of working capital for execution of our other projects, higher borrowing and higher financing.

In spite of the slow-down in corporate investment and infrastructure development in India, our new marketing initiatives taken last year have started yielding results and our marketing team have been able to book record order of Rs. 3,980 Cr. in the year 2013-14.

Some of the significant orders received this year are Balance of Plant (BOP - 2 x 600 MW) package for Singareni Thermal Power project, Main Plant Civil Works and Chimney Elevator package for 2 x 660 MW power plant from DVC Raghunathpur, In-Pit Conveying System for SECL Gevra, Civil, Structural & underground piping works for DHDT & VGO-HDT units, SRU and other existing refinery area of IREP of BPCL Kochi refinery.

With stable Government in place now, revival of business sentiments are expected gradually in India and the GDP growth for 2014-15 is expected to reach between 5.0% to 5.5%, subject to monsoon being normal. The Global growth is likely to be in the region of 3.5% in 2014, about 0.5% higher than 2013. As the revival of the Indian Infrastructure industry is likely to take some time, fresh order book expected this year by the Company may not be high. However, as we have started the year 2014-15 with an opening order book of over Rs. 6,500 Cr., I am confident that the Company's overall performance will improve in the year 2014-15 with the committed efforts from our sincere and hard working team.

Deepak Khaitan

Executive Chairman, McNally Bharat Engineering Co. Ltd.

Corporate Information

Deepak Khaitan

Executive Chairman

Directors

Aditya Khaitan

Virendra Kumar Verma

Utsav Parekh

Amritanshu Khaitan

Subir Ranjan Dasgupta

Asim Kumar Barman

Puranam Hayagreeva Ravikumar

Sudipto Sarkar

Prasanta Kumar Chandra

Whole Time Director & COO

Prabir Ghosh

Whole Time Director & Group CFO

Company Secretary

Sukanta Chattopadhyay

Corporate Identification Number

L45202WB1961PLC025181

Registered Office

4 Mangoe Lane

Kolkata – 700001

West Bengal, India

T: +91 33 2213 8901-05

F: +91 33 2230 3519

Corporate Office

Ecospace Business Park, Campus 2B

11F/12 (Old Plot No. AA II/Blk 3)

New Town, Rajarhat, North 24 Parganas

Kolkata – 700156

West Bengal, India

T: +91 33 3014 1111 / 6628 1111

F: +91 33 3014 2277 / 6628 2277

Bankers

Bank of India

Axis Bank Limited

Canara Bank

HDFC Bank Limited

ICICI Bank Limited

IDBI Bank Limited

ING Vysya Bank Limited

Oriental Bank of Commerce

Punjab National Bank

State Bank of India

The Karur Vysya Bank Limited

UCO Bank

Union Bank of India

United Bank of India

Yes Bank Limited

Standard Chartered Bank

DCB Bank Limited

DBS Bank Limited

The Lakshmi Vilas Bank Limited

Auditors

Lovelock & Lewes, Chartered Accountants

Solicitors

Khaitan & Co.

S K Sawday & Co.

Registrars & Share Transfer Agents

Maheshwari Datamatics Private Limited

6 Mangoe Lane, 2nd Floor

Kolkata – 700001

West Bengal, India

T: +91 33 2243 5029 / 5809

Website & E-mail

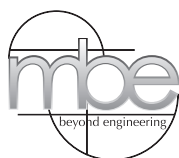
<http://www.mcnallybharat.com/>

mbe.corp@mbecl.co.in

mbecal@mbecl.co.in

Contents

Directors' Report	2	Auditors' Report & Annexure to Auditors' Report	26
Annexure A to the Directors' Report	8	Standalone Accounts	30
Annexure B to the Directors' Report	9	Standalone Cash Flow Statement	59
Annexure C to the Directors' Report	12	Auditor's Report on Consolidated Accounts	61
Annexure D to the Directors' Report	13	Consolidated Accounts	62
Auditors' Certificate on Corporate Governance	25	Consolidated Cash Flow	63



Directors' Report

Your Directors take great pleasure in presenting the Fifty First Annual Report together with audited statement of accounts for the year ended March 31, 2014.

Highlights

The key highlights of the operations for the financial year 2013-14 over the previous year are (based on standalone only in all cases):

Total Income reduced marginally by 1.7%, but, earnings before Finance Cost, Depreciation & Amortization and Tax increased by 4.5%.

Financial Results

The Financial performance of the Company for the year ended March 31, 2014 is summarized below:

Particulars	Rs. in Lacs	
	Standalone year ending March 31, 2014	Standalone year ending March 31, 2013
Sales (net of excise) and other income	215,551	219,056
Profit before Finance Cost, Depreciation & Amortisation and Tax	17,797	17,023
Less: Finance cost	15,124	10,003
Earnings before Depreciation & Amortisation and Tax	2,673	7,020
Less: Depreciation & Amortisation	1,910	1,358
Profit before Tax and before provision for onerous contract	763	5,662
Provision for onerous contracts	7,500	–
Profit before Tax but after provision for onerous contract	(6,737)	5,662
Less: Provision for Taxation (including Deferred Tax)	512	1,799
Profit after tax and after provision for onerous contract	(7,249)	3,863
Profit after Tax	(7,249)	3,863
Amount brought forward from previous year	23,088	19,693
Profit available for Appropriations	15,839	23,556
Proposed for Dividend on equity shares for the year	–	311
Dividend Distribution Tax on Proposed Dividend on Equity shares	–	53
Transfer to General Reserve	–	97
Proposed for Dividend on preference shares for the year	109	6
Dividend Distribution Tax on Proposed Dividend on preference shares	18	1
Balance at the end of the year	15,712	23,088

Business Performance

Your Directors are pleased to report that inspite of being the most challenging year in the last decade, 2013-14 has turned out to be yet another satisfactory year with respect to the order intake, when your Company could book fresh order of Rs. 3,980 Cr. However, the turnover reduced marginally to Rs. 2,155 Cr. compared to last year's turnover of Rs. 2,190 Cr. This has been primarily due to the working capital shortage and credit crunch faced by many of our Clients resulting in further increase in our borrowings and higher interest charges.

Order Book

Your Company has an order book of around Rs. 6,537 crores as on March 31, 2014.

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

- BOP (2*600 MW) package for Singareni Thermal Power Project.
- Main plant civil works and chimney & chimney elevator package for DVC Ragunathpur.

- Inpit conveying system for SECL-Gevra.
- Construction of R & R colony for NTPC Pakri Barwadih at Barkagaon, Hazaribagh for NBCC
- Supply, installation, commissioning & testing under CHP package for NTPC Vindhyachal super power thermal project stage v.
- Civil works & underground piping works for DHDT & VGO-HDT Unit for IREP of BPCL Kochi Refinery.
- Civil works & underground piping works of existing refinery area for IREP of BPCL Kochi Refinery.
- Civil, Structural & underground piping works of Sulphur Recovery units (SRU) for IREP of BPCL Kochi Refinery.
- Operation & maintenance of coal handling plant with all the sub system/auxiliaries of 6*600MW KSK Mahanadi Power Company Ltd.,
- Design, Engineering, Supply, Testing & Commissioning of Ash Water Recirculation Package for NTPC, Kudgi.
- Dry fly ash conveying & transportation system package for NTPC Farrakka stage-I(3*200 MW) & stage-II (2*500 MW)
- Construction of 3 super speciality hospitals under BRGF at Debra and Salboni in Paschim Medinipur and at Nandigram in Purba Medinipur.
- Construction of residential accommodation at Udampur, DGMAP.

Project Execution

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

- Balance of Plant for MPPGCL, Satpura Unit 11 (250 MW)
- Sinter Plant at Vizag for RINL
- Coke Oven By-Product Plant of IISCO
- New Coal Handling Plant Package 091 of RSP.
- Inter Plant Package 092 of RSP
- Blast Furnace (BF-5) Stock House for TPL, RSP
- 35 TPH GAP for Mahan Aluminium Project, Hindalco
- 52 TPH GAP for Aditya Aluminium Project, Hindalco
- HDPS GAP for Mahan Aluminium Project, Hindalco
- HDPS for Aditya Aluminium Project, Hindalco
- Clubbed Water System Package, CAPP: OTPC
- Coal Handling Plant for 1X500MW BELLARY TPS.
- Evaporation Plant Package for Aluminium Refinery, UAIL

Activity Highlights

During the year, a number of significant, complex and large value projects were commissioned including Balance of Plant (BOP) projects viz., Vizag Sinter Plant (SP-III), IISCO Coke Oven By-product plant, Coke Handling and Inter-plant packages for SAIL, Rourkela etc.

The new initiative taken by your Company in the last year in marketing activities have started yielding results and your Company has been able to book fresh orders of approx. Rs.

4,000 Cr. in various sectors this year, which is a record in the Company's history. Your Company made an inroad into Petrochemical refineries last year and have further been able to enter into this sector by booking three prestigious projects from Bharat Petroleum for their Kochi Refinery.

Your Company has been consistently putting efforts towards improvement in Quality and Occupational Health and Safety Standards. MBECL already has ISO 9001-2008 and ISO 14001-2004 Certifications. Our Laboratory is certified by NABL for non-destructive testing. We are also pleased to inform that our OH&S Management System (OHSMS) has been certified this year by BS OHSAS 18001:2007. Our quality and safety standards maintained by us during execution of 9,000 TPD Cement Plant project at Jamul for ACC under HOLCIM Standard and BPCL Refinery at Mahul have been highly appreciated.

For the second successive year, we have received prestigious Safety Awards from the Royal Society for Prevention of Accidents (RoSPA), UK. The awards are RoSPA International Silver awards for our BOP Satpura Project and Sagardighi Thermal Power Plant CHP for best safety performance on Occupational Health & Safety 2014. Furthermore, we have received a number of Domestic Customer Safety Awards for Bongaigaon CHP & AHP from NTPC, TPL Kalinganagar from TATA Power Ltd., GAP Lapanga from HINDALCO, Mauda Water from NTPC, BPCL Mahul from BPCL/EIL, O&M – Adani Power from Adani etc. for our excellent safety performances.

Subsidiaries

- McNally Sayaji Engineering Ltd. (MSEL)

Orders received

- Nava Bharat Projects Ltd - Roll Crusher, Vibrating Screen for Zambia Project – Rs 53.00 lacs
- Protech Associates – Vibrating Grizzly feeder, Roll crusher & Screen for Lusaka, Zambia Project – Rs 48.00 lacs
- Protech Associates – 2 Stage Mobile Plant for Lusaka, Zambia Project– Rs 230.00 Lacs
- Ashoka Gears – Reciprocating Feeder and Impactor (for Cosmos Nepal project) – Rs 50.00 lacs
- Hyquip systems – HPA and Impactors – Rs 115.00 lacs
- Saifco cements – Smooth double Roll crusher, Impactor & Reciprocating Feeder – Rs 70.50 lacs
- Triveni Real Estate – Vibrating Screens, reciprocating Feeder, Jaw Crusher & Smooth double roll crusher – Rs 73.00 lacs
- Bhushan Power & Steel Ltd – Hammer Mills, Toothed double roll crushers, Smooth double roll crushers – Rs 940.00 lacs
- Nova Iron & Steel Ltd – Vibrating Screens & Toothed Double Roll Crushers – Rs 90.00 lacs
- Ramco cements – Vibrating Screens - Rs 89.00 lacs
- Sri Girija Alloys – Impactor, Vibrating Screen & HPA – Rs 52.50 lacs

- Isgec Heavy Engg – Vibrating Screen, Impactor, hammer Mill for Honduras Project – Rs 117.00 lacs
- Bhushan Power & Steel - Smooth Double Roll crusher – Rs 57.00 lacs
- Ashoka Gears – Apron feeder & Impactor – Rs 93.00 lacs
- Direct orders from Metso Power (Presently known as Valmet) for the first time, of Basic Value Rs 500 lakhs for Evaporators .
- Metso Power, approved us as their Global Supplier.
- Direct orders from Danieli for the first time, of Basic Value Rs 400 lakhs for Steel Plant Equipment.

Major Billing in 2013-14

- Nava Bharat Projects Ltd - Roll Crusher, Vibrating Screen for Zambia Project – Rs 53.00 lacs
- EPIL Ltd (BSP Project)- Hammer Mills, Smooth & Toothed Double Roll Crushers – Rs 889 lacs
- Protech Associates – Vibrating Grizzly feeder, Roll crusher & Screen for Lusaka, Zambia Project – Rs 48.00 lacs
- Protech Associates – 2 Stage Mobile Plant for Lusaka, Zambia Project – Rs 230.00 lacs
- Ashoka Gears – Reciprocating Feeder and Impactor for Cosmos Nepal project – Rs 50.00 lacs
- Hyquip systems – HPA and Impactors – Rs 115.00 lacs
- Saifco cements – Smooth double Roll crusher, Impactor & Reciprocating Feeder – Rs 70.50 lacs
- Triveni Real Estate – Vibrating Screens, reciprocating Feeder, Jaw Crusher & Smooth double roll crusher – Rs 73.00 lacs
- Bhushan Power & Steel Ltd – Hammer Mills, Toothed double roll crushers, – Rs 325.00 lacs
- Nova Iron & Steel Ltd – Vibrating Screens & Toothed Double Roll Crushers – Rs 90.00 lacs.
- Ramco cements – Vibrating Screens - Rs 89.00 lacs
- Sri Girija Alloys – Impactor, Vibrating Screen – Rs 37.00 lacs
- Ball Mills from SHRI JAGANNATH STEEL & POWER LTD., SHRI MAHAVIR FERRO ALLOY, SUPER SMELTER LTD. & NAVODAYA – DHARNI, SALGAOCAR
- Rod Mills from L & T – TSL Kalinganagar.
- Chain Mills from IFFCO.
- Hammer Mill & Screens from BCCL, B.C. MOHANTY, HINDUSTAN ZINC LIMITED, MONNET ISPAT ENERGY LTD.
- Scrubbers from NAVODYA - DHARNI & SUPER SMELTER LTD.
- Hammer Mills, Double Roll crushers (toothed) from BHUSHAN POWER & STEEL LTD.
- Feeder from HINDUSTAN ZINC LIMITED
- Vibrating Screen from L & T – CHHABRA project
- Roller Screen from EPIL.
- HPA Screen (Flip Flow) from MBE – CMT.

- Slide Shoe as a Job Work From HWIL
- Rotor Assy From Dalmia Cement.
- Major Over Hauling Jobs: HP/LP Feeder, From HPCL
- Coal Crushers & Screens From Singrani TPP,A/C:MBE
- Clinker Grinder, Paddle Mixtures & Silo From NTPC-Mouda, A/C: MBE
- Stacker Reclaimers for SINGRANI,A/C:MBE.

MBE Coal & Mineral Technology India Ltd.

Some of the major orders received during the year 2013 - 14:

- Design, Engineering, Supply, Supervision of Erection & Commissioning of 3.0 MTPA Screening & Crushing Plant for Bhushan Power & Steel at Jharsuguda Orissa.
- Design, Engineering, Supply, Supervision of Erection & Commissioning of 2.4 MTPA Non coking Coal Washery for Bhushan Power & Steel at Jharsuguda Orissa.
- Design, Engineering, Supply, Supervision of Erection & Commissioning of 1.2 MTPA Char Beneficiation Plant for Bhushan Power & Steel at Jharsuguda Orissa.
- Design, Engineering & Project Management of 1.6 MTPA Coking Coal Beneficiation Plant from Aryan Coal Beneficiation for BCCL at Dahibari, Jharkhand.
- Received orders for 83 Nos of Decanter Centrifuges for different Environmental Projects
- Some of the major projects / orders completed during the year 2013 - 14:
- Design, Engineering & Supply for all equipment to Trade Serve International Pvt. Ltd. for its 1.0 MTPA Coal Washery in Pakistan.
- Design, Engineering, Supply, Supervision of Erection & commissioning for 1.2 MTPA Iron ore Beneficiation Plant for Janki Corporation Ltd. Bellary, Karnataka
- Renovated both Coarse & Fine Coal Batac Jigs at Rajrappa Coal washery, Ramgarh for CCL.
- Performance Guarantee Tests under progress for 0.6 MTPA Iron ore Beneficiation Plant for MSPL, Hospet, Karnataka
- Supplied 86 Nos Decanter Centrifuges for different Environmental Projects.

Overseas Companies under MBE's 100% subsidiary, MBE Mineral Technologies Pte Limited (MBEMT) have performed satisfactorily during the year in spite of prevailing slow down in the international metal market and economic crisis in Europe. The Coal & Mineral Technology business has good order backlog and looking for a major growth in 2014-15. As part of Corporate consolidation, in Jan'14 MBEMT has sold its entire shareholding of 41.66% in Hayward Tyler Group Plc, U.K. in a bidding process at AIM counter of London Stock Exchange at a total value of GBP 12.3 million. The inflow from the transaction reduced borrowing at the consolidated level by approximately Rs. 140 crores and has reduced the contingent liability for Corporate Guarantee given for the loans being paid back to the extent of Rs. 130 crores.

In April 2014, MBE Mineral Technology Pte Ltd has sold 90% of its holding in its manufacturing subsidiary, MBE Cologne Engineering GmbH at a consideration of Euro 1.5 million. The entire investment has been reinstated at Euro 1 as part of an impairment exercise done in the last Financial year 2012-13 by MBE Mineral Technology Pte Ltd. This shall also reduce the overseas borrowing of EURO 4 Million at considerate level in the financial year 2014-15.

McNally Bharat (SA) Proprietary Limited, a 100% subsidiary of MBE is in operation and has already secured an order of 367 Mio Rand (Equivalent INR 205 Crores approx) in South Africa and also in negotiation for some more order in African region. Your Directors are expecting a good margin out of this order.

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

Dividend

In absence of profit for the current Financial year (2013-14), the Board of Directors of your Company considered it prudent not to recommend any dividend on Equity Shares for the year under review as a measure of conservation.

The Non convertible Redeemable Preference Shares of Rs.100/- each issued by the Company is entitled to a fixed Dividend of 11.5% per annum as per the terms of issuance of such Non convertible Redeemable Preference Shares. Accordingly, the Board of Directors of your Company has recommended a dividend of Rs.11.50 (11.50%) per share on 975,000 Non convertible Redeemable Preference Shares of Rs.100/- each. In absence of profit for the current year, the same will be adjusted out of the previous year's profit.

The dividend will be tax free in the hands of the shareholders. The register of members and share transfer books will remain closed from July 21, 2014 to July 29, 2014 (both days inclusive).

Insurance

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

Occupational Health & Safety

In line with our Company objectives, our Occupational Health & Safety (OH&S) Management System has been integrated

& tuned up with the production/construction process with an eye on continual improvement. . We have revised the OH&S Policy in July 2013 and laid down a norm to establish our OH&S Management System, which has subsequently been certified as per BS OHSAS 18001:2007 standard in October 2013. Our OH&S system and norms have been accorded international recognition and are compatible with international standards..

As a part of the OH&S Management System there are periodic audits, training and inspections to ensure health & safety compliance at all our sites. We have a system of 'Daily OH&S Message' for all companies email users, which gives them update about recent OH&S requirement. There is intranet webpage (MBE-Bridge) for OH&S, which contains 'Procedure', 'Formats', copy of 'Certificates' and 'Training' model etc.

In 2013 more than 55 sites achieved LTI free records which shows the improvement in OH&S. Apart from that there are many satisfied customers, who issued 'Merit Certificate' for our excellent safety performance in their project sites. In recent past we got many national and international recognitions for our excellent performance on health & safety.

Directors

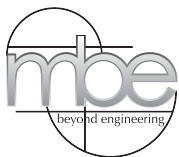
Mr. Virendra Kumar Verma, Mr. Subir Ranjan Dasgupta and Mr. Asim Kumar Barman retire by rotation and, being eligible, offer themselves for reappointment.

Auditors

The Statutory Auditors of the Company M/s. Lovelock & Lewes, Chartered Accountants, will retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Auditors, if reappointed. The Audit Committee and the Board of Directors recommended M/s. Lovelock & Lewes, as Statutory Auditors of the Company to hold office from the conclusion of the Annual General Meeting of the Members' of the Company for the year ended March 31, 2014, until the conclusion of the Annual General meeting of the Members' of the Company to be held for the year ended March 31, 2017, for shareholders approval.

As required under the provisions of Section 139(1) of the Companies Act, 2013, the Company has obtained a written Certificate from the above Auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

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



Auditors' Report

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

Fixed Deposit

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

Share Capital

During the year, the paid-up share capital of the Company has increased to Rs. 408,438,180 by issue of 150,000 nos. of 11.50% Non-convertible Redeemable Preference Shares of Rs. 100/- each. The paid-up Equity share capital of the company remains unchanged at 31,093,818 shares having a face value of Rs. 10/- each.

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

Corporate Governance

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

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

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

Corporate Social Responsibility – 'PRAYASH' 2013-14

A new face of MBE CSR is Prayash. The Company, over the past one year, has been closely working with Child In Need Institute to support the education of the under privileged children in a slum area is situated in a very backward region of Tiljala – Topsis in Kolkata under Ward-66 of KMC. In this MBE supported centre, learning & various extracurricular activities for the school children (7 years - 12 years) are conducted on a day to day basis by CINI appointed teachers & ground level volunteers.

Currently there are twenty-five children in the coaching centre. Beside the learning activities of the children, the counselling of the parents is also initiated, so as to make them realize that the need for education for their children is much greater than the meagre income that those young children get working in tanneries and other sweat shops in the neighbouring area

Our approach is focused to support education for the Under Privileged Children. In this project MBE & CINI are working together to ensure that the students continue with their formal education process. Beside the formal classes, the young students are also made to involve and engage themselves in celebrations of various festival days of national importance. They are also taken out for education-cum recreational visits so that there is a holistic development of their young mind.

A young motivated and committed group of employees of MBE from MBE – PRAYASH team have been enthusiastically partnering with CINI during 2013-14 in achieving the following activities:

Activities done in last 1 year (2013-2014)

- The community based volunteers who reach the children directly received trainings on academic issues as well as on record keeping, community mobilization and classroom management
- Training of all the girl children in the centre were held on 24th and 25th July'13. The issues were life skill education, early marriage, child trafficking, stress management, decision making, menstrual health – myth and misconception, ICDS service- Kishori Shakti Yojana (KSY) and referral services available in the area by the resource persons from various fields like education, health and protection.
- The children of this centre observed the World Environment Week from 5th June to 12th June 2013. They took the initiative of cleaning their centre premises as well as its surroundings with the help of the coaching volunteer and also decorated their centre with low cost and no cost materials. They participated in the drawing competition in the coaching centre and planted many saplings in the earthen pots. The supervisor and volunteer gave the inputs on the importance world environment day throughout the week. The best pictures from the children have been put up on the wall for display.
- On 8th of June, 2013 the CSR team of McNally visited the coaching centre. They interacted with the children regarding their studies, hobbies and about the centre. The children were very much inspired by their words. On 24th August 2013 the CSR team again visited the coaching centre. The children initially greeted them and performed some role plays, recited poems, told stories etc.
- On 21st December, 2013 the children of this centre participated in the programme "Right to Play" where the children participated in many forgotten and obsolete games from our city. The main focus of the programme was to revive those games in our city and to inculcate a sense of team work among them. The children enjoyed it very much.
- Apart from education, the children also had karate and dance classes in the centre.
- Awareness cum cultural programme was taken place in the community with 25 children of MBE Coaching centre

along with other children from the community.

- Exposure visit to Science City has been organized for the children of this coaching centre on 15th January 2014.
- Health Check up camp was organized on 28th February, 2014 for the children of this coaching centre along with other children of Tarun Tirtho Primary School where the MBE supported centre runs.
- The volunteers of this coaching centre received the training on Child Entitlement Card (basic entitlements of children on Education, Protection, Health and Nutrition) by our organizational staff on 12th and 13th March.
- Creativity workshop was organized with 25 children of this centre on 24th March where the children made some handicraft items like jute bags, flower vase and key rings with assistance of an efficient outside resource person.

Beside this, MBE team participated to support the city's spirit of caring, the biggest MARATHON CAMPAIGN organized by TATA MEDICAL CENTRE.

Particulars of Employees

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

Energy Conservation, Technology Absorption And Foreign Exchange Earning And Outgo

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

Directors' Responsibility Statement

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

- 1) In the preparation of annual accounts, the applicable accounting standards have been followed. There are no material departures from prescribed accounting standards;
- 2) We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
- 3) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- 4) We have prepared the annual accounts on a going concern basis.

Cautionary Statement

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

Acknowledgement

The Directors place on record their sincere appreciation for significant contribution made by the employees through their dedication, hard work, active involvement and devoted services rendered. The Directors would also like to thank all the stakeholders, investors including Bankers and other business associates, who have extended their valuable support and encouragement.

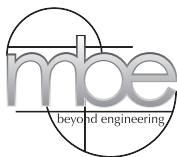
This has, understandably, been critical for the Company's success. The Directors look forward to their continued support and understanding in the years to come.

On behalf of the Board of Directors

Kolkata, May 30, 2014

Prasanta Kumar Chandra
Whole Time Director & COO

Prabir Ghosh
Whole Time Director & Group CFO



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

Re-certification audit for Environmental Management System of MBE according to ISO 14001:2004 was successfully carried out by TUV Nord in September 2013 at the Corporate Office of the Company at "Ecospace," New Town, Kolkata, and new certificate has been issued to the Company. The Audit team mentioned high on commitment of top management, adherence to defined environmental objectives, targets and programmes.

Total energy saving in 2013-14 compared to 2012-13 was 7%. Consumption in paper as stationary has reduced substantially.

ADDITIONAL INVESTMENT AND PROPOSALS FOR REDUCTION IN CONSUMPTION OF ENERGY

Objective	: Reduce power consumption after schedule working hours to facilitate zonal/local illumination by relocation/splitting of existing MCB for floor lighting circuit.
Target	: 50% Reduction in Power consumption after scheduled working hours
Estimated Energy Saving	: Approx 66 Unit/Day
Estimated Cost	: Approx. Rupees 2.36 lacs
Cost Recovery Period	: Approx 22 months
Status	: Awaiting management approval

B. RESEARCH & DEVELOPMENT (R & D)

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

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

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

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

3. Future Plan of Action

Future R & D efforts will continue along similar lines, as at present. Design automation of new products & processes will be taken up such as different varieties of chutes, sump tank, applications developed on Dot Net and Process silos.

4. EXPENDITURE ON R&D

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

C. TECHNOLOGY ABSORPTION

The Technology Absorption from the Collaborators is an ongoing process in the Company. During execution of Coke Oven By-product project at SAIL ISSCO Burnpur and SAIL Bhilai, our engineers are continuously interacting with the engineers from DMT, Germany during the detail engineering, manufacturing and construction and commissioning phases to progressively learn and upgrade our Engineering Technology & Knowledge Level. Similarly, the progressive technology absorptions from our various collaborators like FIVES, ALCAN, POLTEGOR etc. during execution of various projects is a continuous process in MBE.

Supplier Portal, a web based solution developed jointly by in-house team and third party, aims to support Supplier's interaction with MBE Purchase team. RFQ publishing, RFQ Submission, Order Outstanding, Different notifications, Bill submission, etc, are few of the functionalities available in this system. Suppliers can also update their profile through this web based solution. This solution is an integral part of Oracle ERP.

Engineering Data Management

An initiative was taken to preserve and control Engineering Data. With this solution, previous concept of storing Engineering / Design Data in the local hard disk and controlled by individuals is removed. Every designer/draftsman shall store their data in a pre-defined and secured area of a Centralized server. This data gets replicated in another server located at our Registered Office at 4, Mangoe Lane, Kolkata. A strong control mechanism is an in-built part of the solution. The collaborative approach between different disciplines is also implemented. It includes the revision management, information flow within the disciplines, etc, for the purpose of removing communication gaps in recurring collaboration process of engineering design.

D. FOREIGN EXCHANGE EARNINGS & OUTGO

		Rs. '000
Foreign Exchange Earning	Export on FOR Works Basis	45,482
	Corporate guarantee commission	56,631
	Interest Income	6,757
Foreign Exchange Outgo	Travelling	13,552
	Professional & Consultancy Fees	36,475
	Interest	115,712
	Others	54,180

ANNEXURE B TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

While India's GDP growth fell to sub-5% level for the second successive years, a phenomenon which last happened in pre-reform era almost 25 years ago, the macroeconomic environment is expected to improve, with growth likely to accelerate gradually over the next two years. Speed of economic recovery could be impacted by the country's present vulnerabilities—high headline inflation, an elevated current account deficit, and rising pressure on fiscal balances from the depreciation of the rupee, high interest cost and degree of monsoon. However, after the General election 2014, there being a strong and stable Government in place, it is expected to have some major policy decision from the Government in various areas including coal, power, infrastructure etc, which is expected to boost the economy to a great extent, subject to normal level of monsoon. Economic activity is expected to pick up in the second half of FY 2014,. Moreover, core inflation is trending down and exports are likely to benefit substantially from the rupee's depreciation. However, with the currencies of many other emerging economies weakening against the dollar, lasting improvements in export competitiveness will require policy efforts to fully take advantage of the emerging global opportunities.

Although the recent turmoil in global markets has amplified India's macroeconomic vulnerabilities, the country's potential remains high. In fact, the current economic turmoil provides the economy with an opportunity to accelerate growth momentum through further reforms that improve the business environment, strengthen the banking and financial sector, narrow the infrastructure gap, and enhance fiscal space.

Due to implementation delays in absence of policy decision from the Government such as environment clearances, coal linkage etc. many construction and infrastructure projects in all parts of the country have not taken off as expected. The slowing economic growth has also put the brakes on consumption-driven sectors such as automobiles and consumer durables. However, the pace is expected to pick up from 2014-15 particularly in key end-user sectors such as construction, infrastructure and automobiles. Economic growth is likely to accelerate in the next fiscal as the reform process continues and begins to bear fruit. The pick-up will be aided by implementation of stalled projects, debottlenecking of the mining sector and a recovery in industry on higher demand.

The increased focus of government and corporate sectors on using innovative production techniques for increasing operational as well as financial performance is expected to bring about a 5 - 5.5% growth in the GDP in the current fiscal. As a result, the investments by domestic players in expanding and upgrading the manufacturing facilities in order to reduce the reliance on imports are expected to open up significant business opportunities for the Company.

A sector wise analysis of the areas where the Company is active is given below.

POWER

Electricity production in India recorded a 4 per cent growth in FY2013 over the previous fiscal. Over FY 07–13, electricity production expanded at a compound annual growth rate (CAGR) of 5.5 per cent. The Planning Commission's 12th Plan projects that total domestic energy production would reach 669.6 million tonnes of oil equivalent (MTOE) by 2016–17 and 844 MTOE by 2021–22.

The growth in energy demand in India would be the highest among all countries by 2030–35, beating even China, according to the 2014 energy outlook report by British oil giant BP.

The investment climate is very positive in the power sector. The erstwhile power ministry has set a target for adding 76,000 MW of electricity generation capacity in the 12th Plan (2012–17) and 93,000 MW in the 13th Plan (2017–2022). With the merging of coal and power under one single ministry in the present Government, it is expected that policy and decision making will be quicker and more efficient. The Working group on power for formulation of the 12th Five Year Plan has estimated total fund requirement of Rs 1,372,580 crore (US\$ 227.98 billion) for the power sector. The industry attracted foreign direct investment (FDI) worth Rs 40,417.6 crore (US\$ 6.72 billion) during April 2000 to January 2014.

STEEL

Due to policy paralysis during last few years, one of the most affected industry was Steel. In absence of efficient Mining, environment and Land policy, the mining of both coal, Iron Ore and other minerals required for the production of Steel, affected severely, which indirectly slowed down the Metallurgical Industry including Steel. Now with the expected change in policy decision and infrastructure development being one of the major focused area, there is huge potential for growth of this industry. The country is slated to become the second largest producer of steel by 2020 as large public and private sector players are set to strengthen steel production capacity.

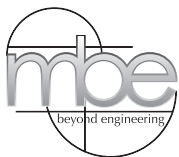
The installed capacity of Steel is expected to increase to 142 Million TPA by 2018 based on the assumption of 8% GDP growth.

Most of the additional capacity will be created in the Private sector, apart from a few in the public sector. The Company's experience of execution of EPC packages including raw material handling, Sinter plant, Coke Oven By-products recovery plant & coke oven batteries is expected to play a significant role in securing orders in this sector.

METALS & MINING

THE COMPANY is a market leader in Mineral Beneficiation in India, having set up most of the plants for Copper, Lead & Zinc in India and have executed two copper projects in Konkola Mines, Zambia.

Consumption of refined copper has been growing @ 10% annually and is projected to be 1.2 million tons by 2015-16. All the manufacturers, Hindusthan Copper, Sterlite & Birla have indicated expansion plans to meet the demand.



For Non Ferrous metal beneficiation the focus is more on export markets due to huge reserves of ores available : Zambia & Congo for copper & Tanzania, Congo, Ghana, Guinea & Mali for Nickel & gold. In South America, investments are planned for copper, Lead – Zinc & Phosphate processing in Chile & Peru.

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

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

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

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

PORTS & SHIPYARDS

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

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

CEMENT

India's potential in infrastructure is vast and cement plays a vital role in the growth and development of the nation. India is the second largest producer of cement in the world. The cement industry has been expanding on the back of increasing infrastructure activities and demand from housing sector over the past many years.

Cement consumption in India is expected to rise by 8–9 per cent over the next year, taking the estimated cement consumption in 2013–14 to about 280–285 MT, from around 260 MT in the 2012–13 fiscal, as per the Cement Manufacturers Association (CMA).

The Indian cement sector is expected to witness positive growth in coming years, with demand set to increase at compound annual growth rate (CAGR) of more than 8 per cent during 2013–14 to 2015–16, according to RNCOS report titled, 'Indian Cement Industry Outlook 2016'.

The cement and gypsum products sector in India has attracted foreign direct investments (FDI) worth US\$ 2,879.95 million between April 2000 to November 2013, according to data published by the Department of Industrial Policy and Promotion (DIPP).

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

INFRASTRUCTURE

Going by the industry's observations, Indian infrastructure industry has the biggest potential for growth and opportunities for investment. Based on the sizeable growth potential, a positive trend in infrastructure projects with more players entering into the industry is well anticipated. In the last 3 – 4 years, various new international and domestic players have entered into the Indian market which resulted in diversification of and aggressive expansion plans. Now the market is expected to become more competitive and fragmentary in the future.

The fundamental of mid and long-term positive demand, led by infrastructure development, will spur a demand from across the sectors. However, issues of land acquisition, material linkages for functioning of industrial projects, litigations, timely availability of raw materials, deviations in projected cash flow from the projects and most importantly, the availability of authentic detailed feasibility reports and bankable projects have to be given a closer look to stimulate equipment demand.

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

OPPORTUNITIES & THREATS

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

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

SEGMENTWISE OR PRODUCTWISE PERFORMANCE

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

OUTLOOK

Your company has an order backlog of around Rs. 6,500 Crores and we hope to continue our past growth trend this year also.

RISKS & CONCERNS

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

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

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

Your Company is continuing with its organization transformation exercise with some of the key focus areas being organization restructuring and resizing revamping the performance management architecture, compensation bench marking, competency assessment for senior management and leadership team, followed by individual development plans to create a healthy succession pipeline for critical leadership positions.

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

The industrial relations during the year have been cordial.

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 chaired by an experienced Independent Director reviews the adequacy of the Internal Control System. The Company's Internal Audit Department is in charge for periodically carrying out detailed audit of the transactions of the Company at various project sites, manufacturing locations and offices in order to ensure that recording and reporting are adequate and as per the policy of the Company. The Internal Auditors periodically physically verify the safeguard of the Company's assets and ensure that there is no unauthorized usage. The assets are kept in proper conditions and are covered under adequate insurance.

FINANCIAL PERFORMANCE

In spite of being the most challenging year in the last decade, 2013-14 has turned out to be yet another satisfactory year with respect to the order intake, when your Company could book fresh order of Rs. 3,980 Cr. However, the turnover reduced marginally to Rs. 2,153 Cr. compared to the last year's turnover of Rs. 2,190 Cr. This has been primarily due to the working capital shortage and credit crunch faced by many of our Clients resulting in further increase in our borrowings and higher interest charges. In spite of the fact that the Company has earned an operational profit in the year under review, the volatile financial and commodity markets resulting in high raw material prices, severe financial crunch in the market along with high interest cost of borrowings and the general inflationary pressure combined to exert intense pressure on the financial performance of the Company. Moreover as a measure of abundant precaution in regard to certain onerous contracts a provision of Rs 75 Crores has been made in this financial year under review to take care of any future losses.

To protect the future growth, the Company has taken various measure to maintain efficient debtor collection cycles and reducing cost overheads as well as for further inflow of capital. This will help the company to have a better operating cash flow and paying out some high interest bearing debts including bank borrowings. By this process, the Company expects to reduce its current levels of credit availed thus generating savings due to lower levels of servicing fixed-interest bearing financial obligations. To broad base its target market; the Company has successfully started its entry into construction into Oil & Gas sector, overseas projects, EPC projects in Cement sector and large infrastructure projects.

DISCLOSURE BY THE MANAGEMENT

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

CAUTIONARY STATEMENT

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

ANNEXURE C TO THE DIRECTORS' REPORT

FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES FOR THE F.Y 2013-14

Rupees in Lacs

Sl. No.	Name of the Subsidiary Company	Capital	Reserves	Total Assets	Total Liabilities	Details of Investments	Turnover/ Total income (excluding Investments in subsidiaries)	Profit before taxation	Provision for Taxation	Profit after taxation	Proposed Dividend	Country
1	MBE Mineral Technologies Pte Ltd (Formerly MBE Holdingd Pte Ltd)	3,002.43	(1,076.87)	19,242.94	19,242.94	—	31,154.60	(543.20)	61.71	(604.91)	—	Singapore
2	McNally Sayaji Engineering Ltd	888.93	18,508.13	51,540.15	51,540.15	—	23,343.53	(337.94)	(454.32)	116.38	—	India
3	McNally Bharat Infrastructure Ltd	10.00	(312.09)	888.54	888.54	—	555.60	11.25	(4.49)	15.73	—	India
4	McNally Bharat Equipments Ltd	10.00	(2.26)	8.89	8.89	—	—	(0.51)	—	(0.51)	—	India
5	MBE Coal & Minerals Technologies, India Pvt. Ltd. (formerly Humbolt Wedag Minerals India Pvt. Ltd.)	34.93	2,117.16	7,846.09	7,846.09	—	6,857.72	323.73	111.79	211.94	—	India
6	MBE Minerals Zambia Ltd	5.60	(739.96)	740.13	740.13	—	684.30	(97.25)	(107.20)	9.95	—	Zambia
7	McNally Bharat Engineering (SA) Proprietary Ltd	0.15	(11.39)	24.82	24.82	—	—	(11.39)	—	(11.39)	—	South Africa

ANNEXURE D TO THE DIRECTORS' REPORT

CORPORATE GOVERNANCE

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

Company's policies on the Corporate Governance and due compliance report on specific areas wherever applicable for the year ended March 31, 2014 are given hereunder divided into the following areas :-

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

II Board of Directors:

a. Composition of the Board:

The Board of Directors comprises eleven members at the end of the financial year, consisting of eight Non-Executive Directors who account for 72 percent of the Board's strength as against minimum requirement of 50 percent as per the listing agreement. The Non-executive Directors are eminent professionals, drawn from amongst persons with experience in business and industry, finance, law and public enterprises. The composition is as under:

Name of Directors	Category of Directors	No. of other Directorships held #		No. of other Board Committee(s) of which he/she		No. of shares held in the Company as at 31st March, 2014
		Public	Private member	Is a Chairperson	Is a 2014	
Mr. Deepak Khaitan	Promoter-Executive Chairman	8	1	2	0	0
Mr. Aditya Khaitan	Promoter - Non Executive	7	1	2	2	0
Mr. Virendra Kumar Verma	Independent – Non Executive	0	0	0	0	700
Mr. Utsav Parekh	Independent – Non Executive	6	0	4	0	100
Mr. Amritanshu Khaitan	Promoter - Non Executive	8	1	0	0	8,000
Mr. Subir Ranjan Dasgupta	Independent – Non Executive	3	7	5	2	2,500
Mr. Asim Kumar Barman	Independent – Non Executive	0	1	0	0	0
Mr. Sudipto Sarkar	Independent – Non Executive	4	2	4	0	0
Mr. P H Ravikumar	Independent – Non Executive	8	4	6	5	0
Mr. Prasanta Kumar Chandra	Executive – Whole Time Director	2	2	0	0	1,000
Mr. Prabir Ghosh	Executive – Whole Time Director	2	0	0	0	300

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

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

No convertible instruments are held by non-executive directors.

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

Name of the Directors	Sitting fees paid during the year (in Rs)
Mr. Aditya Khaitan	80,000
Mr. Virendra Kumar Verma	2,00,000
Mr. Utsav Parekh	20,000
Mr. Amritanshu Khaitan	1,00,000
Mr. Subir Ranjan Dasgupta	2,80,000
Mr. Asim Kumar Barman	5,60,000
Mr. Sudipto Sarkar	20,000
Mr. P H Ravikumar	60,000
TOTAL	13,20,000

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

(In Rs)

Particulars	Mr. Deepak Khaitan (Executive Chairman)	Mr. Prasanta Kumar Chandra (Whole Time Director)	Mr. Prabir Ghosh (Whole Time Director)
Salary	18,500,000	11,712,000	11,849,250
Performance Bonus	—	—	—
Contributions to Provident Fund and other funds	2,131,250	1,116,300	979,050
Perquisites	20,897,819	12,600	44,235
Total remuneration	41,529,069	12,840,900	12,872,535

Notes:

- None of the Non-executive Directors receive any remuneration from the Company apart from the sitting fees for meetings attended by them.
- The Executive Chairman and the Whole Time Directors are entitled to Performance Bonus upto a maximum of 6 months' salary, payable annually, for each financial year, as may be determined by the Board.
- The resolutions appointing the Executive Chairman or the Whole Time Directors do not provide for payment of severance fees.

c. Board Meetings and attendance of Directors:

- The members of the Board have been provided with the requisite information mentioned in the listing agreement well before the Board Meetings and the same were dealt with appropriately.
- During the year, 5 Board Meetings were held on May 29, 2013, August 14, 2013, September 27, 2013, November 13, 2013 and February 14, 2014.
- The attendance recorded for each of the Directors at the Board Meetings during the year ended on March 31, 2014 and of the last Annual General Meeting is as under :

Directors	Number of Board Meetings attended	Attendance at the Last AGM
Mr. Deepak Khaitan	3	No
Mr. Aditya Khaitan	4	No
Mr. Virendra Kumar Verma	5	Yes
Mr. Utsav Parekh	0	No
Mr. Amritanshu Khaitan	5	Yes
Mr. Subir Ranjan Dasgupta	5	Yes
Mr. Asim Kumar Barman	5	Yes
Mr. Sudipto Sarkar	1	No
Mr. P H Ravikumar	3	No
Mr. Prasanta Kumar Chandra	5	Yes
Mr. Prabir Ghosh	5	Yes

d. Code of conduct:

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

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

III Audit Committee

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

Composition:

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

Mr. Virendra Kumar Verma, Chairman

Mr. Utsav Parekh

Mr. Subir Ranjan Dasgupta

All the members of the Audit Committee are Non-executive Independent Directors. The Committee has elected Mr. Virendra Kumar Verma as its Chairman. In the absence of Mr. Verma, Mr. S.R. Dasgupta Chairs the Meetings. All the members of Audit Committee are financially literate and one member is having accounting and related financial management expertise.

The Audit Committee Meetings were held on May 29, 2013, August 14, 2013, November 13, 2013 and February 14, 2014. The attendance of each Audit Committee member is as under:

Name of the Audit Committee Member	Number of meetings attended
Mr. Virendra Kumar Verma	4
Mr. Utsav Parekh	0
Mr. Subir Ranjan Dasgupta	4

(a) At the invitation of the Company, representatives from various divisions of the Company, internal auditors, statutory auditors, Whole Time Director & Group CFO and Company Secretary who is acting as Secretary to the Audit Committee also attend the Audit Committee Meetings to respond to queries raised at the Committee Meetings.

(b) The role and terms of reference of the Audit Committee cover the matters specified for Audit Committees under Clause 49 of the Listing Agreement as well as in Section 292A of the Companies Act, 1956.

IV Remuneration Committee

Brief description of terms of reference:

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

- To approve/ recommend to the Board of Directors the remuneration package of the Executive Chairman and Whole time Directors and also to recommend remuneration payable to the Non-Executive Directors.
- To approve, in the event of loss or inadequacy of profits in any year, the minimum remuneration payable to the Executive Chairman and Whole Time Directors within the limits and subject to the parameters prescribed in Schedule XIII to the Companies Act, 1956.

Composition:

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

Mr. Subir Ranjan Dasgupta, Chairman

Mr. Utsav Parekh

Mr. Asim Kumar Barman

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

The Remuneration Committee of the Company met thrice during the year on May 29, 2013, August 14, 2013 and March 21, 2014, wherein the members present waived their sitting fees. The attendance of the members of the Remuneration Committee was as follows:

Name of Remuneration Committee Member	Number of meetings attended
Mr. Subir Ranjan Dasgupta	3
Mr. Utsav Parekh	1
Mr. Asim Kumar Barman	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, and retain talent in the organization and reward merit.

VI Shareholders'/Investors' Grievance Committee

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

Mr. Sudipto Sarkar, Chairman of the Committee
 Mr. P H Ravikumar
 Mr. Asim Kumar Barman
 Mr. Prabir Ghosh
 Mr. Prasanta Kumar Chandra

The Shareholders' / Investors' Grievance Committee of the Company met once during the year on 12th November, 2013. The attendance of the members of the Shareholders'/Investors' Grievance Committee was as follows:

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

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

Investors' Grievances

The following table shows the nature of complaints received from shareholders during 2013-14.

Nature of complaints	Pending as on April 1, 2013	Received during the year	Replied/ resolved during the year	Pending as on March 31, 2014
Non receipt of Dividend Warrants	0	0	0	0
Non receipt of Share certificates	0	0	0	0
Non receipt of Annual Reports	0	2	2	0
Total	0	2	2	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 March 31, 2014, and all requests for dematerialization and re-materialization of shares as on that dates were confirmed/rejected into the NSDL / CDSL system.

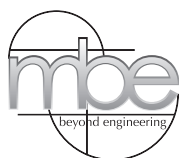
VII Other Board Committees

a. Committee of Directors

During the year, 51 Committee of Directors Meetings were held on April 4, 2013, April 11, 2013, April 18, 2013, April 25, 2013, May 2, 2013, May 9, 2013, May 16, 2013, May 23, 2013, May 30, 2013, June 6, 2013, June 13, 2013, June 20, 2013, June 27, 2013, July 4, 2013, July 11, 2013, July 18, 2013, July 25, 2013, August 1, 2013, August 8, 2013, August 22, 2013, August 29, 2013, September 5, 2013, September 12, 2013, September 19, 2013, September 26, 2013, October 3, 2013, October 10, 2013, October 17, 2013, October 24, 2013, October 31, 2013, November 7, 2013, November 14, 2013, November 21, 2013, November 28, 2013, December 5, 2013, December 12, 2013, December 19, 2013, December 26, 2013, January 2, 2014, January 9, 2014, January 16, 2014, January 22, 2014, January 30, 2014, February 6, 2014, February 13, 2014, February 20, 2014, February 27, 2014, March 6, 2014, March 13, 2014, March 20, 2014 & March 27, 2014.

The attendance recorded for each of the Directors at the Committee of Directors' Meetings during the year ended on March 31, 2014 is as under:

Directors	Number of Committee of Directors' Meetings attended
Mr. Deepak Khaitan	–
Mr. Subir Ranjan Dasgupta	2
Mr. Asim Kumar Barman	20
Mr. Prasanta Kumar Chandra	51
Mr. Prabir Ghosh	51



b. Allotment Committee:

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

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

Mr. Prabir Ghosh

Mr. Prasanta Kumar Chandra

The Allotment Committee of the Company met once during the year on 10th June, 2013. The attendance of the members of the Allotment Committee was as follows:

Shareholders'/Investors' Grievance Committee Member	Number of meetings attended
Mr. S R Dasgupta	1
Mr. Prabir Ghosh	1
Mr. Prasanta Kumar Chandra	1

VIII. Subsidiary Companies

The Company has the following subsidiaries:

- McNally Sayaji Engineering Limited
- McNally Bharat Equipments Limited
- McNally Bharat Infrastructure Limited
- MBE Coal & Mineral Technology India Private Limited
- MBE Mineral Technologies Pte, Limited, Singapore
- MBE Minerals Zambia Limited
- McNally Bharat Engineering (SA) Proprietary Limited

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

- MBE Cologne Engineering GmbH
- MBE Coal & Minerals Technology GmbH
- EWB Kornyezetvedelmi Kft, Hungary

MBE Coal & Minerals Technology GmbH has the following subsidiaries:

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

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

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.
- The Company has complied with all the requirements of the listing agreements with the Stock Exchange as well as regulations and guidelines of SEBI. No penalties have been imposed or strictures have been issued by SEBI, Stock Exchange or any statutory authority on matters related to capital markets during the last three years.

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

X Compliance with of Non-Mandatory Requirements

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

i. The Board:

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

No specific tenure has been specified for the Independent Directors.

ii. Remuneration Committee:

Details are given under the heading 'Remuneration Committee'.

iii. Shareholder Rights:

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

iv. 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.

v. Mechanism for evaluating Non-Executive Board Members:

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

vi. Whistle Blower Policy:

No Whistle Blower Policy was present during the financial year ended March 31, 2014, even though employees aware of any alleged wrongful conduct were encouraged to make disclosure to the audit committee. A Vigil Mechanism has been formed by the Board at their meeting held on May 30, 2014, as per the provisions of Section 177 (9) read with Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014. The Mechanism has been formed for the Company's Directors and Employees, and is overseen by the Audit Committee of the Board

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
48th	Friday	September 23 2011	03.00 p.m	Rotary Sadan, 94/2, Chowringhee Road Kolkata 700020
49th	Friday	September 28 2012	11.00 a.m	Eastern Zonal Cultural Centre, Purbashree, IB- 201 Sector – 3, Salt Lake City, Kolkata – 700106
50th	Friday	September 27 2013	11.00 a.m	Eastern Zonal Cultural Centre, Purbashree, IB- 201 Sector – 3, Salt Lake City, Kolkata – 700106

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

No Special Resolution was adopted in the previous 3 AGMs.

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

Particulars of Resolution	Resolution adopted on	No. of shares and % of Votes in Favour	No. of shares and % of Votes against
Approval for payment of remuneration to Mr. Deepak Khaitan as the Executive Chairman of the Company during the tenure April 1, 2013 – August 11, 2016	December 27 2013	1,18,04,319 99.253% of the valid votes casted	88,802 0.747% of the valid votes casted
Approval for payment of remuneration to Mr. Prasanta Kumar Chandra as the Whole Time Director & COO of the Company during the tenure April 1, 2013 – February 13, 2016	December 27 2013	1,17,80,801 99.255% of the valid votes casted	88,422 0.745% of the valid votes casted
Approval for payment of remuneration to Mr. Prabir Kumar Ghosh as the Whole Time Director & Group CFO of the Company during the tenure April 1, 2013 – June 26, 2016	December 27 2013	1,17,80,701 99.255% of the valid votes casted	88,462 0.745% of the valid votes casted
Increase in authorized share capital & alterations in Memorandum of Association of the Company	January 19 2013	92,56,654 99.97% of the valid votes casted	2,424 0.03% of the valid votes casted
Alteration in Articles of Associations of the Company	January 19 2013	92,57,711 99.98% of the valid votes casted	2,009 0.02% of the valid votes casted
Issue of Non Convertible Redeemable Preference Shares of Rs. 100/- each of an aggregate nominal amount not exceeding Rs. 120 Crores	January 19 2013	92,55,533 99.97% of the valid votes casted	2,887 0.03% of the valid votes casted

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, result of which was declared on December 27, 2013.

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

d. Procedure for Postal Ballot

The procedures as prescribed in the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, were followed for passing the special resolutions by Postal Ballot.

Means of Communication

Quarterly results:

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

XIII General Shareholder Information

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

	Seeking reappointment	Seeking reappointment	Seeking reappointment
Name of Director	Mr. Virendra Kr. Verma	Mr. Subir Ranjan Dasgupta	Mr. Asim Kr. Barman
Date of appointment	September 23, 2011	September 28, 2012	September 28, 2012
Brief resume and expertise in specific functional area	Given in the notice of the AGM	Given in the notice of the AGM	Given in the notice of the AGM
List of other Directorship held	– do –	– do –	– do –
Chairman/Member of the Committees of the Board of Companies in which he is a Director	– do –	– do –	– do –
Shareholding in the Company in case of Non-executive Director	700	2,500	– Nil –

- b. Annual General meeting to be held:

Day, Date, time and venue:

Day : Wednesday
Date : July 30, 2014
Time : 11:00 a.m
Venue : Eastern Zonal Cultural Centre, Purbashree, IB 201 Sector – 3, Salt Lake City, Kolkata – 700106

- c. Financial Year : 2014-2015
First Quarterly Results : On or before 14th August 2014
Second Quarterly Results : On or before 15th November 2014
Third Quarterly Results : On or before 15th February 2015
Audited Yearly Results for the Year ended 31 March, 2014 : On or before 31st May, 2015
d. Period of Book Closure : July 21 to 29, 2014 (both days inclusive)
e. Listing on Stock Exchanges :

The Equity shares of the Company are listed at Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001 and National Stock Exchange of India Ltd, 'Exchange Plaza', Bandra Kurla Complex, Bandra (E), Mumbai 400051 and listing fees have been paid for the year 2013-2014.

Stock Codes:

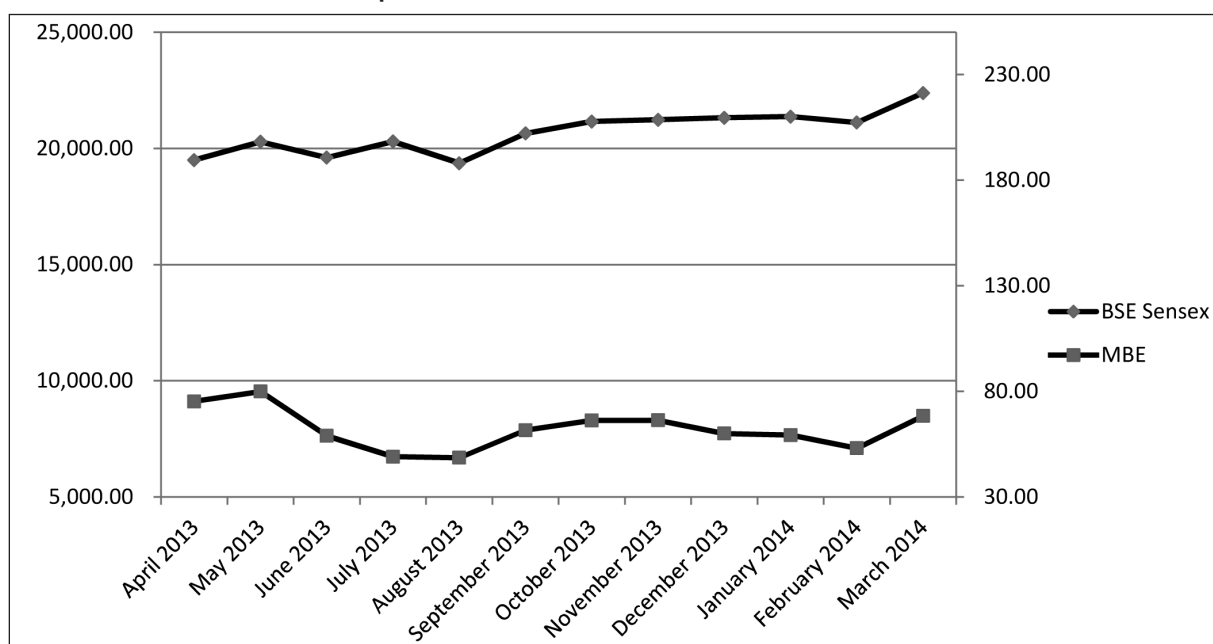
Bombay Stock Exchange	532629
National Stock Exchange	MBECL
Reuters Code	MCNL.BO
Bloomberg Code	MCNA:IN
International Securities Identification Number (ISIN) for the Company's shares in dematerialized form	INE 748A01016

f. Market Price Data:

The details of the monthly highest and lowest closing quotations of the equity shares of the Company at the Bombay Stock Exchange and the National Stock Exchange during the financial year 2013-14 are as under:

Month	Bombay Stock Exchange		National Stock Exchange	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2013	81.60	66.00	83.10	66.05
May 2013	81.90	61.35	81.40	61.20
June 2013	61.10	41.60	62.05	41.50
July 2013	51.00	38.50	50.95	38.65
August 2013	49.80	37.00	49.40	36.55
September 2013	63.00	45.05	63.20	44.10
October 2013	67.40	52.75	67.35	52.25
November 2013	67.70	55.00	68.80	54.20
December 2013	62.35	52.80	62.45	52.70
January 2014	60.70	51.00	60.80	50.40
February 2014	55.00	46.60	55.00	46.50
March 2014	73.10	47.00	73.40	47.10

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



h. Share Transfer Agents:

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

i. Share Transfer System:

As already stated, the Company's shares are traded in the Stock Exchanges compulsorily in Demat mode. Therefore, Investors/Shareholders are requested to kindly note that physical documents, viz. Demat Request (DRF) and Share Certificates, etc. should be sent by their Depository Participants (DP's) directly to the Share Transfer Agents. Any delay on the part of the DP's to send the DRF and the Share Certificates beyond 7 days from the date of generation of the DRF by the DP will be rejected/cancelled. This is being done to ensure that no Demat requests remain pending with the Share Transfer Agents beyond a period of 15 days. Investors/Shareholders should, therefore, ensure that their DP's do not delay in sending the DRF and Share Certificates to Share Transfer Agents after generating the DRF.

j. Distribution of Shareholding as on 31st March, 2014:

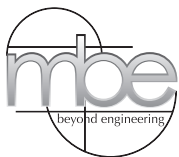
No. of Shares	No. of holders	% of total holders	No. of shares	% of total shares
1 to 500	15,327	85.3539	2,050,297	6.5939
501 to 1000	1,304	7.2618	1,058,242	3.4034
1001 to 2000	622	3.4638	953,201	3.0656
2001 to 3000	214	1.1917	546,618	1.7580
3001 to 4000	98	0.5457	349,212	1.1231
4001 to 5000	76	0.4232	358,340	1.1524
5001 to 10000	152	0.8465	1,091,269	3.5096
10001 and above	164	0.9133	24,686,639	79.3940
Total	17,957	100.0000	31,093,818	100.0000

Pattern of Shareholding as on 31st March, 2014:

	Category	No. of Holders	No. of Shares
1	Promoter & Promoter Group		
	– Individual/HUF (Indian)	–	–
	– Bodies Corporate (Indian)	8	10,037,743
	– Individual/HUF (Foreign)	–	–
	– Bodies Corporate (Foreign)	–	–
2	Mutual Funds	7	3,235,789
3	Financial Institutions/Banks	3	1,049
4	Insurance Companies	6	845,231
5	Foreign Institutional Investors	3	65,000
6	Domestic Companies	545	6,284,960
7	Foreign Companies	–	–
8	Resident Individual	16842	9,938,871
9	Non Resident Individual	339	462,275
10	Clearing Member	204	222,900
	Total	17,957	3,10,93,818

Dematerialization of Shares:

As on March 31, 2014, 30,661,438 Shares of the Company's total shares representing 98.61% shares were held in dematerialized form and the balance 1.39% representing 432,380 shares were in paper form.



k. Address of Correspondence:

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

Shareholders' correspondence should be addressed to:

McNally Bharat Engineering Company Limited

Share Department

4, Mangoe Lane, Kolkata – 700 001

Contact person : Mr. S. Chattopadhyay, Sr. VP – Commercial & Company Secretary

Telephone Nos. : 033-6628-1052/ 3014-1052

Fax No. : 033-6628-2277

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 : 033-2243-5029/ 5809

Fax No : 033-2248-4787

E-mail : mdpl@cal.vsnl.net.in

Declaration by the CEO & CFO under Clause 49 of the listing agreement regarding adherence to the Code of Conduct

In accordance with Clause 49 sub-clause 1(D) of the Listing Agreement with the Stock Exchanges, we 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, 2014.

For McNally Bharat Engineering Company Limited

Prabir Ghosh

Whole Time Director & Group CFO

P K Chandra

Whole Time Director & COO

Kolkata, 1st April, 2014

AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of **McNally Bharat Engineering Company Limited**

We have examined the compliance of conditions of Corporate Governance by McNally Bharat Engineering Company Limited, for the year ended March 31, 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange of India.

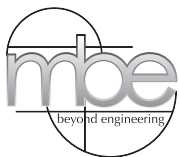
The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered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

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

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

Kolkata, May 30, 2014

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



Independent Auditors' Report

To the Members of McNally Bharat Engineering Company Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of McNally Bharat Engineering Company Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 (the "Act") read with the General Circular 15/2013 dated September 13, 2013, of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

6. Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

7. We draw your attention to Note 44 (III) to the financial statements regarding remuneration paid to two whole-time directors and Chairman of the Company, in excess of the limits prescribed under Section 198 of the Act, for which approval from Central Government is awaited. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

8. As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
9. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956, read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
 - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

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

Kolkata, May 30, 2014

Annexure to Independent Auditors' Report

Referred to in paragraph 8 of the Independent Auditors' Report of even date to the members of McNally Bharat Engineering Company Limited on the financial statements as of and for the year ended March 31, 2014.

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of 3 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- ii. (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. (a) The Company has granted unsecured loans, to a 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 loans aggregated to Rs.61 lacs and Rs.61 lacs, respectively. The Company has not granted any secured/ unsecured loans to firms or other parties covered in the register maintained under Section 301 of the Act.
- (b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
- (c) In respect of the aforesaid loans, the parties are repaying the principal amounts, as stipulated, and are also regular in payment of interest as applicable.
- (d) In respect of the aforesaid loans, there is no overdue amount more than Rupees One Lacs.
- (e) The Company has taken unsecured loans, from 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 loans aggregated to Rs. 4000 lacs and Rs. Nil, respectively. The Company has not taken any secured/ unsecured loans from firms or other parties covered in the register maintained under Section 301 of the Act.
- (f) 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.
- (g) In respect of the aforesaid loans, the Company is regular in repaying the principal amounts, as stipulated, and is also regular in payment of interest, as applicable.
- iv. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v. According to the information and explanations given to us, there have been no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act.
- vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under

clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of service tax, sales tax, value added tax, provident fund, tax deducted at source, works contract tax, employees' state insurance and tax collected at source though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including investor education and protection fund, income tax, wealth tax, customs duty, and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, wealth-tax, service-tax, customs duty, and excise duty which have not been deposited on account of any dispute. The particulars of dues of income tax, sales tax, service tax, and excise duty as at March 31, 2014 which have not been deposited on account of a dispute, are as follows:

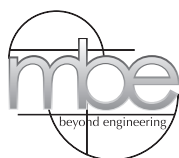
Name of the statute	Nature of dues	Amount (Rs. Lacs)	Period to which the amount relates	Forum where the dispute is pending
Central Excise Act, 1944	Excise Duty and penal interest thereon	129.51	1989-93	Commissioner (Appeals)
Finance Act 1994	Service Tax	16.81	2005-06	Commissioner (Appeals)
		5.64	2003-04	Customs, Excise & Service Tax Appellate Tribunal
		4.24	2006-08	Customs, Excise & Service Tax Appellate Tribunal
APGST Act, 1957	Sales Tax	4.16	1994-95	Appellate Tribunal
Rajasthan Sales Tax Act, 1994		1.33	2005-06	Commissioner (Appeals)
UP Trade Tax Act, 1948		1.30	2003-04	Commissioner (Appeals)
Central Sales Tax Act, 1956		470.27	2006-07	Appellate and Revisional Board
Central Sales Tax Act, 1956		26.00	2007-08	Appellate and Revisional Board
Central Sales Tax Act, 1956		29.46	2008-09	Appellate and Revisional Board
WBST Act, 1994		3.90	2003-04	Commissioner (Appeals)
West Bengal Value Added Tax Act, 2003	VAT	72.27	2005-06	West Bengal Appellate and Revisional Board
West Bengal Value Added Tax Act, 2003		182.59	2006-07	West Bengal Appellate and Revisional Board
West Bengal Value Added Tax Act, 2003		65.67	2007-08	West Bengal Appellate and Revisional Board
West Bengal Value Added Tax Act, 2003		79.84	2008-09	West Bengal Appellate and Revisional Board
West Bengal Value Added Tax Act, 2003		20.26	2009-10	West Bengal Appellate and Revisional Board
Income-tax Act, 1961	Income tax	1,339.55	2010-11	Commissioner (Appeals)

- x. The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

- xi. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.
- xiii. As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- xv. In our opinion, and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.
- xvi. In our opinion, and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.
- xix. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.
- xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

Kolkata, May 30, 2014

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



Balance Sheet As At 31.03.2014

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

Particulars	Note No	As at March 31, 2014	As at March 31, 2013
I EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	4,084.38	3,934.38
(b) Reserves and surplus	4	28,745.18	36,125.28
2 Non-current liabilities			
(a) Long-term borrowings	5	7,265.56	3,459.03
(b) Deferred tax liabilities (Net)	6	—	—
(c) Other Long term liabilities	7	87.84	649.73
(d) Long-term provisions	8	8,116.48	7,609.40
3 Current liabilities			
(a) Short-term borrowings	9	92,715.45	61,066.85
(b) Trade payables	10	100,710.19	95,162.56
(c) Other current liabilities	11	72,591.55	56,423.67
(d) Short-term provisions	12	8,513.00	1,227.20
TOTAL		322,829.63	265,658.10
II ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	13	13,159.38	12,845.49
(ii) Intangible assets	13	105.53	191.15
(iii) Capital work-in-progress		709.96	889.00
(b) Non-current investments	14	19,832.89	19,283.74
(c) Long-term loans and advances	16	2,884.16	1,310.13
(d) Other non-current assets	17	516.27	64.27
2 Current assets			
(a) Current investments	15	—	7.02
(b) Inventories	18	9,379.62	8,826.35
(c) Trade receivables	19	143,173.39	145,598.49
(d) Cash and Bank Balances	20	2,732.09	1,339.56
(e) Short-term loans and advances	21	32,345.26	28,072.18
(f) Other current assets	22	97,991.08	47,230.72
TOTAL		322,829.63	265,658.10

The notes are an integral part of these financial statements.

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

For **Lovelock & Lewes**
Firm Registration Number 301056E
Chartered Accountants
Prabal Kr. Sarkar
Partner
Membership No. 52340
Kolkata, 30th May, 2014

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

Statement of Profit and Loss For The Year Ended 31.03.2014

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

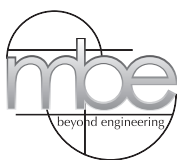
Particulars	Note No	Year Ended March 31, 2014	Year Ended March 31, 2013
I Revenue from Operation	23	214,377.95	218,324.78
II Other Income	24	1,173.10	730.73
III Total Revenue (I+II)		215,551.05	219,055.51
Expenses :			
Cost of materials consumed	25	95,053.48	112,440.19
Outsourcing expenses to outsiders for job work		56,685.54	51,366.82
Employee benefit expenses	26	15,846.84	16,153.83
Finance cost	27	15,123.69	10,003.46
Depreciation and amortization expenses	13	1,909.92	1,357.71
Other expenses	28	30,168.06	22,071.41
IV Total Expenses		214,787.53	213,393.42
V Profit before provision for onerous contracts items and tax (III-IV)		763.52	5,662.09
VI Provision for onerous contracts [Ref. Note No 42]		7,500.00	—
VII Profit/(Loss) before tax (V - VI)		(6,736.48)	5,662.09
VIII Tax Expense :			
(1) Current Tax		512.38	1,799.28
(2) Deferred Tax		—	—
		512.38	1,799.28
IX Profit/(Loss) for the period (VII - VIII)		(7,248.86)	3,862.81
X Earnings Per Equity Share : [Refer Note No. 41]			
[Nominal Value per share : Rs. 10 (March 31, 2013: Rs. 10)]			
(1) Basic (Rs.)		(23.72)	12.40
(2) Diluted (Rs.)		(23.72)	12.40

The notes are an integral part of these financial statements.

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

For **Lovelock & Lewes**
Firm Registration Number 301056E
Chartered Accountants
Prabal Kr. Sarkar
Partner
Membership No. 52340
Kolkata, 30th May, 2014

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



Notes to the Financial Statements for the year ended 31.03.2014

1 General Information

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

2 Summary of significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. Pursuant to circular 15/ 2013 dated 13.09.2013 read with circular 08/2014 dated 04.04.2014, till the standards of Accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies act, 1956 shall continue to apply. Consequently, these financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211 (3C) [Companies (Accounting Standards) rules, 2006, as amended] and other relevant provisions of the Companies Act, 1956.

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

2.2 Tangible Assets, Intangible Assets and Depreciation

- (a) Tangible Assets are stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes inward freight, duties and taxes and expenses incidental to and directly attributable to acquisition and installation of fixed assets. Own manufactured assets are capitalized at cost including an appropriate share of directly attributable overheads. Subsequent expenditures related to an item of fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.
- (b) Depreciation is provided on straight-line method over the estimated useful lives of the assets or the rates prescribed under Schedule XIV to the Companies Act, 1956, whichever is higher. Certain items of Plant and Machinery are depreciated at rates between 7.07% and 25%, which are higher than the Schedule XIV rates.
- (c) Gains or losses arising from disposal of fixed assets carried at cost are recognized in the Statement of Profit and Loss.
- (d) Intangible Assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight line basis over their estimated useful lives. The amortization period and the amortization method are reviewed at least at each financial year end. If the expected life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. Computer software is amortised over a period of three years.

2.3 Borrowing Costs

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

2.4 Impairments

Assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognized for an asset in prior accounting periods may no longer exist or may have decreased.

Notes to the Financial Statements for the year ended 31.03.2014

2.5 Investments

Investments that are readily realizable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognize a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

2.6 Inventories.

Inventories are stated at lower of cost and net realizable value. Cost is determined using Weighted Average method. 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. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.7 Foreign currency translation

Initial Recognition: On initial recognition, all foreign currency transactions are recorded by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. **Subsequent Recognition:** As at the reporting date, non-monetary items which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Monetary current assets and monetary current liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the Statement of Profit and Loss. **Forward Exchange Contract:** The premium or discount arising at the inception of forward exchange contracts entered into to hedge an existing asset / liability, is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.

2.8 Derivative Contracts

Derivative Contracts (other than forward exchange contracts covered under Accounting Standard 11 on 'The Effects Of Changes In Foreign Exchange Rates'): Derivative contracts outstanding as at year end on account of firm commitment / highly probable forecast transactions are marked to market and the losses, if any, are recognised in the Statement of Profit and Loss and gains are ignored in accordance with the Announcement of Institute of Chartered Accountants of India on 'Accounting for Derivatives' issued in March 2008.

2.9 Revenue Recognition

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

Sale of goods : Sales are recognized when the significant risks and rewards of ownership in the goods are transferred to the buyer as per the terms of the contract and are recognized net of trade discounts, rebates, sales taxes and excise duties. **Sale of Services :** In contracts involving the rendering of services, revenue is measured using the proportionate completion method and are recognized net of service tax.

2.10 Other Income

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

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

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

2.11 Employee Benefits

Short-term Employee Benefits are recognised in the period in which employee services are rendered. Contributions towards superannuation fund at rates specified in related approved scheme covering eligible employees are recognised as expense and funded.

Provident Fund : Provident Fund contributions are made to a Trust administered by the Company. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of the year and any shortfall

Notes to the Financial Statements for the year ended 31.03.2014

in the fund size maintained by the Trust set up by the Company is additionally provided for. Actuarial losses/gains are recognized in the Statement of Profit and Loss in the year in which they arise. The contributions made to the trust are recognized as plan assets. The defined benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of plan assets.

Gratuity : The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/gains are recognized in the Statement of Profit and Loss in the year in which they arise.

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

Compensated Absences : Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end. Accumulated compensated absences, which are expected to be available or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/gains are recognized in the Statement of Profit and Loss in the year in which they arise.

Termination Benefits : Termination benefits in the nature of voluntary retirement benefit are recognized in the Statement of Profit and Loss as and when incurred.

Post Retirement medical benefit : Accrued liability towards post employment medical benefits extended to certain categories of employees (Comprising of annual medical insurance premium to cover hospitalization) within a defined monetary limit are evaluated on the basis of actuarial valuation based on Projected Unit Credit (PUC) Method at the end of the year and is recognised as a charge in the accounts.

Other Long Term Employee Benefits : Other long term employee benefits comprising of entitlement to accumulation of Sick Leave and Long Service Award is provided based on Actuarial valuation as per PUC method carried out as at the end of the year.

Employees' State Insurance Scheme : Contribution to Central Government administered Employees' State Insurance Scheme for eligible employees is recognised as charge in Statement of Profit and Loss in the year in which they arise.

2.12 Current and Deferred Tax

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions. Deferred tax is recognized for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. At each Balance Sheet date, the Company reassesses unrecognized deferred tax assets, if any. Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

2.13 Provisions and Contingent Liabilities

Provisions : Provisions are recognized when there is a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance Sheet date and are not discounted to its present value.

Notes to the Financial Statements for the year ended 31.03.2014

Contingent Liabilities : Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

2.14 Leases

As a Lessee :

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

2.15 Cash and Cash Equivalents

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

2.16 Earning per share

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

2.17 Government Grants

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

2.18 Use of Estimates

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

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

	As at March 31,2014	As at March 31,2013
3 SHARE CAPITAL		
Authorised :		
4,00,00,000 (March 31, 2013 : 4,00,00,000)	4,000.00	4,000.00
Equity Shares of Rs. 10/- each		
1,20,00,000 (March 31, 2013 : 1,20,00,000) 11.50%	12,000.00	12,000.00
Non-Convertible Redeemable Preference Shares of Rs. 100/- each		
	16,000.00	16,000.00
Issued, Subscribed & Paid up :		
3,10,93,818 (March 31, 2013 : 3,10,93,818)	3,109.38	3,109.38
Equity Shares of Rs. 10/- each fully paid up.		
9,75,000 (March 31, 2013 : 8,25,000) 11.50%	975.00	825.00
Non-Convertible Redeemable Preference Shares of Rs. 100/- each fully paid up.		
	4,084.38	3,934.38

Notes to the Financial Statements for the year ended 31.03.2014

(a) **Reconciliation of Number of Equity Shares :**

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

(b) **Reconciliation of Number of 11.50%**

Non-Convertible Redeemable Preference Shares :

	As at 31.03.2014		As at 31.03.2013	
	No. of shares	Rs in Lacs	No of shares	Rs in lacs
At the beginning of the year	825,000.00	825.00	—	—
Add: Issued during the year	150,000.00	150.00	825,000.00	825.00
At the end of the year	975,000.00	975.00	825,000.00	825.00

(c) **Right and restrictions attached to shares :**

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

Preference Shares: The company has cumulative, non convertible redeemable preference shares of Rs 100 each at a coupon rate of 11.50% p.a. Tenure of these Preference Shares is 7 years from the date of issue.

(d) The company does not have a holding company.

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

Sl. No.	Name of Equity Shareholders	As at March 31,2014		As at March 31,2013	
		No of Shares	% Held	No of Shares	% Held
1	Williamson Magor & Company Ltd.	1,879,748	6.05%	3,179,748	10.23%
2	Mcleod Russel India Ltd.	3,052,295	9.82%	3,052,295	9.82%

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

Sl. No.	Name of Non-Convertible Redeemable Preference Shareholders	As at March 31,2014		As at March 31,2013	
		No of Shares	% Held	No of Shares	% Held
1	Tata Capital Financial Services Limited	625,000	64.10%	625,000	75.76%
2	Brijesh Kumar Biyani	100,000	10.26%	100,000	12.12%
3	Vyana Advisory Private Limited	—	0.00%	100,000	12.12%
4	Rahul Mohindar	50,000	5.12%	—	—
5	Vinay Mohindar	100,000	10.26%	—	—
6	Mridula Mohata	100,000	10.26%	—	—

Notes to the Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
4 RESERVES & SURPLUS		
Capital Redemption Reserve	1.00	1.00
Securities Premium Account	8,460.30	8,460.30
Securities Premium Account-Non-Convertible Preference Share		
Balance at the beginning of the year	2,888.40	–
Add: Premium on Non-Convertible Preference Shares allotted during the year	–	2,888.40
Less: Expenses relating to Non-Convertible Preference Shares during the year	4.00	–
Balance as at the end of the year	2,884.40	2,888.40
General Reserve		
Balance at the beginning of the year	1,687.22	1,590.65
Add: Transferred from Surplus in Statement of Profit and Loss during the year	–	96.57
Balance as at the end of the year	1,687.22	1,687.22
Surplus in Statement of Profit and Loss		
Balance as at the beginning of the year	23,088.36	19,693.45
Profit / (Loss) for the year	(7,248.86)	3,862.81
	15,839.50	23,556.26
Less : Appropriations		
Proposed Dividend on equity shares for the year	–	310.94
Dividend Distribution Tax on Proposed Dividend on Equity Shares	–	52.84
Dividend on Preference shares for the year	108.76	6.46
Dividend Distribution Tax on Dividend on Preference Shares	18.48	1.10
Transfer to General Reserve	–	96.57
Balance at the end of the year	15,712.26	23,088.36
Total	28,745.18	36,125.28
5 LONG TERM BORROWINGS : [Refer Note no 47]		
Secured :		
Term Loan		
From Banks in Foreign Currency	2,964.01	3,457.44
From Bank in Indian Rupee	2,812.50	–
From Others	4.05	1.59
Unsecured :		
From Others	1,485.00	–
	7,265.56	3,459.03

Notes to the Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
6 DEFERRED TAX LIABILITIES (NET) :		
Liabilities :		
Difference between written down value of block of assets as per Income tax laws and book written down value of the fixed assets.	1,719.64	1,691.34
Assets :		
Items allowable for tax purposes on payment	(210.37)	(266.29)
Business losses	(1,259.84)	(1,333.01)
Others	(249.43)	(92.04)
	<u> — </u>	<u> — </u>
(a) Deferred Tax Assets and Deferred Tax Liabilities have been offset as they relate to the same governing taxation laws		
(b) During the year the company has recognised deferred tax assets on business losses to the extent of deferred tax liability		
7 OTHER LONG TERM LIABILITIES :		
Advance from Customers	26.81	600.00
Others	61.03	49.73
	<u> 87.84 </u>	<u> 649.73 </u>
8 LONG-TERM PROVISIONS :		
Provision for Employee Benefits [Refer Note no 48]		
Provision for Privileged Leave Encashment	479.50	647.69
Provision for Other Employee Benefits	235.28	327.80
	<u> 714.78 </u>	<u> 975.49 </u>
Other Provisions :		
Provision for Lease Rent	607.96	492.36
Provision for Tax [Refer Note no 49]	6,793.74	6,141.55
	<u> 8,116.48 </u>	<u> 7,609.40 </u>

Notes to the Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
9 SHORT-TERM BORROWINGS :		
Secured :		
Term Loan from Banks :		
Indian Rupee Loan (Refer Note a below)	17,478.11	9,234.24
Foreign Currency Loan (Refer Note b below)	1,989.72	3,196.22
Working Capital Loan (Refer Note b below) :		
Cash Credit from Banks	50,438.38	25,237.48
Working Capital Demand Loan from Banks	—	6,700.00
Packing Credit in Foreign Currency	—	5,488.00
Unsecured :	—	—
Term Loan :		
From Banks	9,500.00	—
From Others	5,100	—
Working Capital Loan :		
Cash Credit from Banks	109.24	4,172.19
Working Capital Demand Loan from Banks	5,500.00	—
Packing Credit in Foreign Currency	—	4,538.72
Commercial Paper	—	2,500.00
Deposit (Inter Corporate)	2,600.00	—
	92,715.45	61,066.85
a) Details of Security for Term Loans from Banks is as follows :		
Consortium of Banks: A first pari passu charge by way of hypothecation of the current assets viz., stocks of raw materials, semi-finished goods, finished goods, stores and spares, bills receivables including receivables from hire purchase/leasing, book debts and other movable assets, both present and future. A first pari passu charge in favour of the said Banks by way of third party charge on the movable and fixed assets of the Kumardhubi Division owned by McNally Sayaji Engineering Company Limited, (a subsidiary company). A corporate guarantee from McNally Sayaji Engineering Company Limited in favour of the BOI Consortium equivalent to the value of the property to be mortgaged by McNally Bharat Engineering Company Limited.	10,500.00	1,734.24
HDFC Bank Ltd: Hypothecation of current assets of the company by way of Subservient charge.	5,000.00	5,000.00
Karur Vysya Bank Ltd: Pari passu Hypothecation charge on retention money of RINL project, SAIL ISCO Steel Plant, Burnpur and BHEL projects amounting to Rs 18,400 lacs along with other lenders.	1,978.11	2,500.00
b) Details of Security for Foreign Currency Loan and Working Capital Loan is as follows :		
Consortium of Banks: A first pari passu charge by way of hypothecation of the current assets viz., stocks of raw materials, semi-finished goods, finished goods, stores and spares, bills receivable including receivables from hire purchase/leasing, book debts and other movable assets, both present and future. A first pari passu charge in favour of the said Banks by way of third party charge on the movable and fixed assets of the Kumardhubi Division owned by McNally Sayaji Engineering Company Limited (a Subsidiary Company). A corporate guarantee from McNally Sayaji Engineering Company Limited in favour of the BOI consortium equivalent to the value of the property to be mortgaged by McNally Bharat Engineering Company Limited	52,428.10	40,621.70
	69,906.21	49,855.94

Notes to the Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
10 TRADE PAYABLES :		
Acceptances	9,665.13	9,084.72
Trade Creditors [Refer Note no 30]	91,045.06	86,077.84
	100,710.19	95,162.56
11 OTHER CURRENT LIABILITIES :		
Current Maturities of Long Term Borrowings [Refer Note 47]	9,502.84	3,193.68
Interest Accrued but not due on borrowings	222.55	177.56
Other Interest Accrued but not due	313.60	—
Unpaid Dividends [Refer note (a) below]	20.88	19.78
Advances from Customers	55,106.30	39,416.63
Employee Benefits payable	1,049.45	1,297.42
Security Deposits	36.68	36.42
Due to Customers [Refer Note (b) below]	3,964.36	9,038.43
Creditors for Purchase of Fixed Assets	659.11	1,208.24
Book Overdraft in Current Account with Banks	70.59	179.57
Statutory dues	587.64	41.62
Others Payables	1,057.55	1,814.32
	72,591.55	56,423.67
(a) There is no amount due for payment to the Investor Education and Protection Fund under section 205C of the Companies Act, 1956 as at the year end.		
(b) Excess of Actual billing over cost incurred and profit /loss recognised.		
12 SHORT-TERM PROVISIONS :		
Provision for Employee Benefits : [Refer Note no 48]		
Provision for Gratuity [Refer Note no 46]	18.27	147.28
Provision for Priviledged Leave Encashment	121.14	25.78
Provision for Other Employee Benefits	51.28	31.51
	190.69	204.57
Other Provisions :		
Provision for Tax [Refer Note no 49]	—	651.29
Provision for Proposed Dividend on Equity Shares	—	310.94
Provision for Dividend Distribution Tax on Equity Shares	—	52.84
Provision for Dividend on Preference Shares	27.65	6.46
Provision for Dividend Distribution Tax on Preference Shares	4.70	1.10
Provision for Future Foreseeable Losses in Construction Contracts	664.10	—
Provision for onerous contracts	7,500.00	—
Provision for Mark to Market Loss on Derivative Contracts	125.86	—
	8,513.00	1,227.20

Notes to the Financial Statements for the year ended 31.03.2014

13 FIXED ASSETS

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

Particulars	GROSS BLOCK			DEPRECIATION/ AMORTISATION			NET BLOCK	
	April 1, 2013	Addition	Disposal	March 31, 2014	For the year	Disposal	March 31, 2014	March 31, 2013
Tangible Assets :								
Plant & Equipment	14,428.31	2,034.70	228.92	16,234.09	1,688.50	217.29	11,620.00	11,285.43
Furniture & Fixtures	1,251.37	85.13	49.91	1,286.59	84.92	37.83	966.16	978.03
Vehicles	157.75	31.43	9.97	179.21	17.60	2.49	125.94	119.59
Office Equipment	549.94	16.69	19.50	547.13	26.73	14.38	447.28	462.44
(A)	16,387.37	2,167.95	308.30	18,247.02	1,817.75	271.99	13,159.38	12,845.49
Intangible Assets :								
Computer Software (Other than internally generated)	1,176.63	9.81	72.65	1,113.79	92.17	69.39	105.53	191.15
(B)	1,176.63	9.81	72.65	1,113.79	92.17	69.39	105.53	191.15
Total (A+B)	17,564.00	2,177.76	380.95	19,360.81	1,909.92	341.38	13,264.91	13,036.64
March 31, 2013	14,865.69	2,698.31	—	17,564.00	1,357.71	—	13,036.64	

Notes to the Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
14 NON-CURRENT INVESTMENTS :		
Long Term - Trade Investments (Valued at Cost)		
(a) Quoted Equity Instruments		
Investment in Subsidiaries		
67,29,698 (March 31,2013 - 67,29,698) Equity Shares of Rs. 10 each fully paid up in McNally Sayaji Engineering Limited (Out of which non disposal undertakings have been issued for 5661590 shares in favour of financial institutions.)	15,343.11	15,343.11
(b) Unquoted Equity Instruments		
Investment in Subsidiaries		
6,49,459 (March 31,2013-5,25,462) Equity shares in MBE Mineral Technologies Pte Ltd (Formerly MBE holding Pte Ltd) of 10 Singapore Dollar each fully paid.	2,550.74	2,001.59
99,400 (March 31,2013-99,400) Equity Shares of Rs. 10 each fully paid in McNally Bharat Equipments Limited	9.94	9.94
99,400 (March 31,2013-99,400) Equity Shares of Rs. 10 each fully paid in McNally Bharat Infrastructure Limited	9.94	9.94
4,99,99,996 (March 31,2013-4,99,99,996) Equity Shares in MBE Minerals Zambia Ltd. of ZMK 1 each fully paid	4.69	4.69
3,49,322 (March 31, 2013-3,49,322) Equity Shares in MBE Coal & Mineral Technology India Pvt. Ltd. of Rs 10 each fully paid	1,909.78	1,909.78
100 (March 31, 2013-100) Equity Shares in McNally Bharat Engineering (SA) Proprietary Ltd. of ZAR 20.37 each fully paid	0.13	0.13
Long Term - Other Than Trade Investments (Valued at cost unless otherwise stated)		
(a) Quoted Equity Instruments		
10,960 (March 31,2013 - 10,960) Equity Shares of Rs. 5 each fully paid up in Eveready Industries India Ltd.	2.28	2.28
10,960 (March 31,2013 - 10,960) Equity Shares of Rs. 5 each fully paid up in Mcleod Russel India Ltd.	2.28	2.28
	19,832.89	19,283.74
Aggregate amount of quoted Investments	15,347.67	15,347.67
Market value of quoted investments (excluding investment in McNally Sayaji Engineering Limited in the absence of Current Market Quotation)	38.47	36.35
Aggregate amount of unquoted Investments	4,485.22	3,936.07
Aggregate provision for diminution in value of investments	—	—

Notes to the Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
15 CURRENT INVESTMENTS :		
(a) Mutual Funds (Unquoted) :		
Investment in NIL (March 31,2013-383.925 Units) of IDFC Liquid Fund-Growth (Valued at cost)	—	7.02
	<u>—</u>	<u>7.02</u>
Aggregate amount of unquoted Investments	—	7.02
16 LONG-TERM LOANS AND ADVANCES :		
Unsecured Considered Good (Unless otherwise stated):		
Capital Advances	286.11	75.58
Security Deposits	120.08	120.08
Other Loans and Advances		
Balances with Government Authorities	0.46	0.46
Others	2,477.51	1,114.01
	<u>2,884.16</u>	<u>1,310.13</u>
17 OTHER NON-CURRENT ASSETS :		
Long term trade receivables:		
Unsecured Considered Good	322.83	—
Others :		
Long term deposits with banks with maturity period more than 12 months	2.20	—
Margin Money Deposit	191.24	64.27
	<u>516.27</u>	<u>64.27</u>
18 INVENTORIES :		
Raw Materials	9,379.37	8,826.10
Loose Tools	0.25	0.25
	<u>9,379.62</u>	<u>8,826.35</u>
19 TRADE RECEIVABLES :		
Unsecured - Considered Good		
Outstanding for a period exceeding six months from the date they are due for payment [Refer note (a)]	28,151.31	21,610.19
Other Debts	115,022.08	123,988.30
	<u>143,173.39</u>	<u>145,598.49</u>
Less: Provision for doubtful debts	—	—
	<u>143,173.39</u>	<u>145,598.49</u>
(a) Trade receivable includes receivable from subsidiary companies by Rs. 572.75 Lacs (March 31, 2013 : Rs. 367.75 Lacs)		

Notes to the Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
20 CASH AND BANK BALANCES :		
Cash & Cash Equivalents		
Cash on Hand	197.24	86.63
Cheques on Hand	230.05	—
Remittance in Transit	2.29	0.40
Bank Balances:		
Bank Balances in Current Account	2,281.43	1,214.44
Other Bank Balances		
Long term deposits with maturity more than 3 months but less than 12 months	—	1.46
Margin Money Deposit	—	16.07
Unpaid Dividend Account	21.08	20.56
	2,732.09	1,339.56
21 SHORT-TERM LOANS AND ADVANCES :		
(Unsecured considered good)		
Loans & Advance to Subsidiaries	6,596.49	5,703.22
Other Loans & Advances		
Income Tax Refund Receivable	111.68	726.42
Balance with Statutory / Govt Authorities	4,555.01	6,348.61
Security Deposits	232.17	216.36
Prepaid Expenses	406.43	281.15
Advance to Supplier & Others	18,646.01	14,747.50
Employee Advance	60.65	48.92
Advance Income Tax (net of provision for tax Rs 512.38)	1,736.82	—
	32,345.26	28,072.18
22 OTHER CURRENT ASSETS :		
(Unsecured Considered good) :		
Due from Customers [Refer note (a)]	97,991.08	47,058.32
Unamortised Expenses :		
Current portion of Foreign Currency Monetary item translation difference account	—	172.40
	97,991.08	47,230.72
(a) Excess of cost incurred and profit/loss recognised as per AS 7 over actual sales billing.		

Notes to the Financial Statements for the year ended 31.03.2014

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

	Year Ended March 31,2014	Year Ended March 31,2013
23 REVENUE FROM OPERATION :		
Sale of Equipments & Contract Revenue	213,196.21	217,008.58
Other Operating Revenue :		
Duty Drawback	1.60	26.13
Sale of Scrap	1,103.41	1,290.07
Recovery of Bad Debt	76.53	—
Discount Received	0.20	—
	214,377.95	218,324.78
24 OTHER INCOME :		
Interest Income	179.62	347.33
Dividend Income from Long Term Other than trade Investments	0.77	0.66
Net Gain on sale of Current Investment	1.24	—
Corporate Guarantee Commission	566.31	367.36
Provision for Loss on Derivatives - Mark to Market Valuation - No longer required - written back	181.57	—
Miscellaneous Income	243.59	15.38
	1,173.10	730.73
25 COST OF MATERIALS CONSUMED : [Refer Note No. 37 and 38]		
Raw Material Consumed		
Opening Inventory	8,826.10	6,342.22
Add : Purchases	26,932.73	32,892.69
Less : Inventory at the end of the year	9,379.37	8,826.10
Cost of Raw Materials consumed during the year	26,379.46	30,408.81
Consumption of bought out Components and related Spares	68,674.02	82,031.38
	95,053.48	112,440.19

Notes to the Financial Statements for the year ended 31.03.2014

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

	Year Ended March 31,2014	Year Ended March 31,2013
26 EMPLOYEE BENEFIT EXPENSES : [Refer Note no 46]		
Salaries, Wages & Bonus	13,531.32	14,181.08
Contribution to Provident Fund	485.03	473.88
Contribution to Super Annuation Fund	16.45	16.79
Contribution to Gratuity Fund	4.29	37.48
Workmen and Staff Welfare Expenses	1,809.75	1,444.60
	15,846.84	16,153.83
27 FINANCE COST :		
Interest Expense	13,629.71	9,241.07
Other Borrowing Costs	934.15	525.22
Net Loss on foreign currency transactions and translation	559.83	237.17
	15,123.69	10,003.46
28 OTHER EXPENSES :		
Power & Fuel	1,581.61	1,324.09
Rent	1,725.54	1,417.22
Repairs to Buildings	1.12	5.41
Repairs to Machinery	111.62	53.37
Insurance	628.48	503.12
Payment to Auditors :		
As Auditors :		
Audit Fees	28.00	28.00
Fees for issuing various certificates (including limited reviews)	31.61	32.39
For reimbursement of expenses	0.42	0.35
Director Fees	13.20	18.40
Rates & Taxes	746.22	474.04
Cartage & Freight	7,524.50	5,408.50
Bank Charges	3,334.04	2,358.71
Professional Services	4,096.83	4,051.06
Travelling	3,000.34	2,835.26
Net Loss on foreign currency transactions and translation (other than considered in finance cost)	2,645.48	187.32
Provision for Mark to Market Loss on Derivatives	—	307.44
Bad Debts Written Off	390.82	106.93
Provision for Future Foreseeable Losses in Construction Contracts	664.10	—
Miscellaneous Expenses	3,644.13	2,959.81
	30,168.06	22,071.41

Notes to the Financial Statements for the year ended 31.03.2014

- 29 As per the Scheme of Arrangement as sanctioned by the Hon'ble High Court at Calcutta vide its Order dated 28th July 2009 which was filed with the Registrar of Companies, West Bengal, Kolkata on 1st September 2009, for reconstruction of McNally Bharat Engineering Company Limited (MBECL) and its subsidiary viz McNally Sayaji Engineering Ltd (MSEL) the Products Division of MBECL engaged in the business of manufacture and/or procuring equipments for various engineering and infrastructure projects and having its units at Kumardhubi, in the State of Jharkhand and Asansol, in the State of West Bengal and Bangalore, in the State of Karnataka has been transferred to MSEL with effect from the appointed date, i.e. 01.04.2008 .As per the scheme of arrangement the transfer and vesting of Products Division of the MBECL to MSEL shall be subject to the existing charges, mortgages and encumbrances, if any, over the assets or any part thereof, provided however, that such charges, mortgages and/or encumbrances shall be confined only to the assets of MBECL or part thereof on or over which they are subsisting on transfer to and vesting of such assets in MSEL and no such charges, mortgages and/ or encumbrances shall extend over or apply to any other asset(s) of MSEL. Thus the existing charges on the assets of the Products Division for facilities enjoyed by MBECL will continue and vice versa. Accordingly working capital demand loans, cash credit facilities, term loans and other non fund based facilities of the Company are secured by assets which include those of the Product Division of MSEL.
- 30 There are no dues payable to Micro enterprises and Small enterprises on the basis of information available with the company regarding Micro and Small Enterprises under Micro, Small and Medium Enterprises Development Act, 2006.
- 31 The company had entered in September 2003 a joint venture agreement with Elsamex S.A. where officially it was appointed as a subcontractor in "West Bengal Corridor Development Project – Improvement of Gazole Hilli Section of SH 10 with a link to Balurghat from Patiram," (the project). However consequent to considerable delay in execution of the project the Public Works Department of Government of West Bengal (PWD) had unilaterally terminated the contract in January 2006. The company and Elsamex S.A. felt that such delay in execution was due to the inability of PWD to hand over the stretch of encumbrance free land for widening of road and non-availability of construction drawings on time by PWD. The company has a legitimate claim of Rs. 1517 lacs towards receivable (included in Note No.19) and Rs.1133 lacs on account of deposit against Performance Guarantee (included in Note No.21). Elsamex S.A. moved to arbitration and had claimed an amount of Rs.7334 lacs including an additional claim on consequential losses as per guidelines of "Federation Internationale Des Ingenieurs-Conseils" (FIDIC). Arbitral Board in their meeting held on 25th October 2010 has upheld Elsamex S A's claim and has given award in favour of Elsamex S A. Under the award, a total amount of Rs.3535 lacs is receivable by the company. A claim has already been lodged with PWD . PWD has preferred to challenge the verdict of the Arbitrators and has appealed to the High Court for a stay in the matter of payment of award money.

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

	As at March 31,2014	As at March 31,2013
32 CONTINGENT LIABILITIES		
(a) Claims against the company not acknowledged as debt	100	100
(b) Other money for which the Company is contingently liable:		
(i) Excise Duty matters pending in appeal related to issues of applicability and classification	130	130
(ii) Sales Tax/VAT matters pending in appeal relating to disputes regarding assessable value and exemptions claimed	957	922
(iii) Service Tax Matters pending in appeal relating to issues of applicability	27	21
(iv) Income Tax Matters pending in appeal relating to disputes regarding the taxable value and the deductions claimed	1,340	–
(v) Corporate guarantees given in favour of Subsidiary Companies	12,997	32,912
(vi) Other guarantees given	1,732	3,200
(vii) Standby letter of credit	3,252	1,670
(viii) Liquidated damages relating to contract sales	Amount not readily ascertainable	Amount not readily ascertainable

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

Notes to the Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
33 CAPITAL COMMITMENTS		
Estimated value of contracts in capital account remaining to be executed	273.92	189.90
34 PROPOSED DIVIDEND		
On Equity Shares of Rs. 10 each		
Amount of Dividend Proposed	–	310.94
Dividend per Equity Share	–	Rs. 1 per share
	Year Ended March 31,2014	Year Ended March 31,2013
35 CIF VALUE OF IMPORTS		
Components, Spare Parts and Stores	3,822.77	6,431.42
	3,822.77	6,431.42
36 EXPENDITURE IN FOREIGN CURRENCY		
Travelling	135.52	161.91
Professional and consultation fees	364.75	2,219.25
Interest expense	1,157.12	627.21
Others	541.80	2,855.58
	2,199.19	5,863.95
37 VALUE OF IMPORTED AND INDEGENOUS MATERIALS CONSUMED		
Raw Materials (Value)		
Imported	–	–
Indegeneous	26,379.46	30,408.81
	26,379.46	30,408.81
Raw Materials (%)		
Imported	0.00%	0.00%
Indegeneous	100.00%	100.00%
	100.00%	100.00%
Components and related spares (Value)		
Imported	3,822.77	6,431.42
Indegeneous	64,851.25	75,599.96
	68,674.02	82,031.38
Components and related spares (%)		
Imported	5.57%	7.84%
Indegeneous	94.43%	92.16%
	100.00%	100.00%
Stores and Spare Parts (%)		
Imported	0.00%	0.00%
Indegeneous	0.00%	0.00%
	0.00%	0.00%

Notes to the Financial Statements for the year ended 31.03.2014

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

	Year Ended March 31,2014	Year Ended March 31,2013
38 DETAILS OF RAW MATERIALS CONSUMED		
Steel	23,520.57	26,493.23
Cement and Others	2,858.89	3,915.58
	26,379.46	30,408.81
	As at March 31,2014	As at March 31,2013
39 DIVIDEND REMITTED IN FOREIGN CURRENCY		
Dividend paid during the year	1.89	1.89
Number of non-resident shareholders	1	1
Number of equity shares held by such non-resident shareholders	189,451	189,451
Year to which the dividends relate	2012-13	2011-12
40 EARNINGS IN FOREIGN CURRENCY		
Sale of Contracts	454.82	1,539.27
Corporate Guarantee Commission	566.31	367.36
Interest Income	67.57	—
	1,088.70	1,906.63
41 EARNINGS PER SHARE		
Number of Equity Shares at the beginning of the year.	31,093,818	31,093,818
Number of Equity Shares at the end of the year.	31,093,818	31,093,818
Weighted average number of equity shares outstanding during the year	31,093,818	31,093,818
Profit after Taxation	(7,248.86)	3,862.81
Less: Dividend on Preference Shares (Including Dividend Distribution Tax)	127.24	7.56
Adjusted net profit for the year	(7,376.10)	3,855.25
Face Value of Each Equity Share (Rs.)	10.00	10.00
Earnings Per Share - Basic (Rs.)	(23.72)	12.40
Earnings Per Share - Diluted (Rs.)	(23.72)	12.40

42 PROVISION FOR ONEROUS CONTRACTS

The Company is engaged in the business of executing projects on turnkey basis. Progress in some such contracts have suffered for various reasons and mostly beyond the control of the Company. Against these contracts which are now being considered as onerous in nature, the Company as a measure of abundant precaution has decided to make an omnibus provision of Rs. 75 Crores to take care of any future losses that may arise.

Notes to the Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
43 INFORMATION IN ACCORDANCE WITH AS-7 CONSTRUCTION CONTRACTS, IN RESPECT OF CONTRACTS IN PROGRESS AS AT YEAR END DATE		
Contract costs incurred	1,017,700.45	826,920.12
Add: Recognised profits net of recognised losses	72,826.02	60,013.13
Contract Revenues	1,090,526.47	886,933.25
Progress billing	996,499.75	848,913.34
Unbilled revenue (Net)	94,026.72	38,019.91
Due from customers	97,991.08	47,058.32
Due to customers	(3,964.36)	(9,038.41)
Advance payments received	55,106.30	39,854.99
Amount of retentions	75,293.90	74,812.45

44 RELATED PARTY DISCLOSURES

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

Relationships

- (a) Subsidiaries of the Company :
 - (i) MBE Coal & Minerals Technologies, India Pvt. Ltd.
(formerly Humboldt Wedag Minerals India Pvt. Ltd.)
 - (ii) McNally Sayaji Engineering Limited (MSEL)
 - (iii) McNally Bharat Equipments Limited (MBEL)
 - (iv) McNally Bharat Infrastructure Limited (MBIL)
 - (v) MBE Mineral Technologies Pte Limited (formerly MBE Holdings Pte Limited)
 - (vi) MBE Minerals Zambia Ltd
 - (vii) McNally Bharat Engineering (SA) Proprietary Ltd
- (b) Subsidiaries of MBE Mineral Technologies Pte Limited :
 - (i) MBE Coal & Minerals Technology GmbH
 - (ii) MBE Cologne Engineering GmbH
 - (iii) MBE EWB Technologies Kft
- (c) Subsidiaries of MBE Coal & Minerals Technology GmbH :
 - (i) MBE Mineral Processing Technology (Beijing) Co.Ltd .
 - (ii) MBE Mineral Processing of Brazil LTDA
 - (iii) PT MBE Coal & Minerals Technology, Indonesia
 - (iv) MBE Minerals S.A. Pty Limited.
 - (v) OOO MBE OUM, Russia
 - (vi) Coal & Mineral Technology Holding GmbH, Germany
- (d) Key Management Personnel :
 - (i) Mr. Deepak Khaitan - Executive Chairman
 - (ii) Mr. Prasanta Kumar Chandra - Whole-time Director & COO
 - (iii) Mr. Prabir Ghosh- Whole-time Director & Group CFO

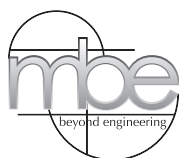
Notes to the Financial Statements for the year ended 31.03.2014

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

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

Description	MBE Coal & Mineral Technology India Pvt Ltd	MBE Mineral Technologies Pte Ltd, Singapore	MBE Cologne Engineering GmbH	MBE Coal & Minerals Technology GmbH	MBE EWB Technological Kft, Hungary	McNally Sayaji Engineering Limited	McNally Bharat Equipments Limited	McNally Bharat Infrastructure Limited	MBE Minerals Zambia Limited	PT MBE Coal & Mineral Technologies Indonesia	MBE Minerals S.A. (Proprietary) Ltd.	McNally Bharat Engg (S.A.) Proprietary Ltd.
	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR
Purchase of Materials and components	-	-	-	-	-	5,777.64 (11,932.11)	-	-	-	-	-	-
Rendering of services	-	-	-	-	-	(50.84)	-	-	-	-	-	-
Purchase of services	(29.97)	-	-	-	-	45.62	-	201.64 (204.82)	-	-	-	-
Sale of goods / contracts	-	-	-	-	(24.73)	-	-	-	-	-	-	-
Bank Charges Reimbursed	-	-	-	-	454.82	(29.26)	-	-	-	-	-	-
Rent paid	(6.53)	-	(8.58)	(31.06)	(23.16)	-	-	-	-	-	-	-
Loan Given	-	3,706.96	-	-	-	73.50 (73.50)	-	-	-	-	-	35.61
Loans repaid	-	3,049.54	-	-	-	-	-	-	-	-	-	-
Guarantee given	4,000.00 (5,450.00)	-	985.03	-	-	-	-	-	-	-	-	-
Guarantee Charges received	5.07	(11,352.60)	-	-	-	(3,243.60)	-	-	-	-	-	-
Guarantee received	-	(337.14)	-	(30.22)	-	3,354.00 (3,112.00)	-	-	-	-	-	-
Standby Letter of Credit given	-	-	3,252.40	-	-	-	-	-	-	-	-	-
Investments made	-	(1,670.45)	-	-	-	-	-	-	-	-	-	-
Interest received on loan	-	549.15 (1,070.90)	-	-	-	(786.40)	-	-	66.85	-	-	(0.13)
Advance given	-	-	-	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	19.27	-	-	(541.20)	-	-	-
Other Items	78.59 (73.61)	-	-	-	-	2.98 (619.70)	-	-	2.22 (103.32)	32.46 (48.06)	28.73 (26.85)	-
Balances Outstanding as at 31.03.2014												
Investments Outstanding	1,909.78 (1,909.78)	2,550.74 (2,001.59)	-	-	-	15,343.11 (15,343.11)	9.94 (9.94)	9.94 (9.94)	4.69 (4.69)	-	-	0.13 (0.13)
Outstanding on account of Standby Letter of Credit given	-	-	3,252.40	-	-	-	-	-	-	-	-	-
Guarantees Received Outstanding	3,354.00 (3,112.00)	-	-	-	-	-	-	-	-	-	-	-
Guarantees Outstanding	4,000.00 (5,450.00)	2,967.50 (21,624.00)	985.03	-	-	5,044.75 (5,838.48)	-	-	-	-	-	-
Outstanding payables	-	-	-	1.37 (1.16)	-	7,211.11 (6,579.76)	-	-	-	7.90 (7.64)	19.05 (15.95)	-
Outstanding Receivables	293.51 (367.75)	351.56 (93.41)	-	-	10.34 (52.58)	-	1.00 (1.00)	987.19 (727.77)	1,026.06 (788.99)	-	-	35.61

Figures in bracket are for the year ended 31st March 2013



Notes to the Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
(II) Relating to parties referred in (d) above		
Remuneration Paid :		
Mr. Deepak Khaitan	415.29	306.28
Mr. Prasanta Kumar Chandra	128.41	154.33
Mr. Prabir Ghosh	128.73	155.13
Dividend Paid	0.01	0.03
(III) During the Financial year, the Company has paid a sum of Rs. 6.72 Crores towards managerial remuneration, which exceeds the maximum amount permissible u/s 198 of the Companies Act, 1956, read with Section 349, 350 as well as Part II of Schedule XIII of the said Act. The Company has already taken consent for payment of such remuneration from the Members of the Company through postal ballot dated 27th December, 2013, and has also applied to the Central Government for waiver of such excess payment of remuneration to the managerial personnel on 14th February, 2014, the approval for which is awaited.		

45 LEASES

As a Lessee

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

Not later than one year	212.87	510.88
Later than one year and not later than five years	—	212.87
Later than five years	—	—

Notes to the Financial Statements for the year ended 31.03.2014

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

46

A. GRATUITY (FUNDED)

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

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

	As at March 31,2014	As at March 31,2013
(a) Present Value of Obligation at the beginning of the year	609.29	611.43
(b) Current Service Cost	87.14	97.97
(c) Interest Cost	52.40	51.88
(d) Actuarial (Gains)/Losses	(70.37)	(102.23)
(e) Benefits Paid	(123.38)	(49.76)
(f) Present Value of Obligation at the end of the year	555.08	609.29

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

(a) Fair Value of Plan Assets at the beginning of the year	462.00	365.63
(b) Expected Return on Plan Assets	44.95	35.17
(c) Actuarial Gains/(Losses)	(3.75)	1.35
(d) Contributions by employer	156.98	109.61
(e) (Benefits paid)	(123.38)	(49.76)
(f) Fair Value of Plan Assets at the end of the year	536.80	462.00

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

	2013-14	2012-13	2011-12	2010-11	2009-10
(a) Present Value of Obligation as at the end of the year	555.08	609.29	611.43	484.63	352.64
(b) Fair Value of Plan Assets as at the end of the year	536.80	462.00	365.63	285.15	219.66
(c) Liabilities recognized in the Balance Sheet	(18.27)	(147.28)	(245.80)	(199.49)	(132.97)
(d) Experience (Gain)/loss adjustments on plan liabilities	(70.37)	(102.23)	2.95	61.27	65.11
(e) Experience Gain/(loss) adjustments on plan assets	(3.75)	1.35	(0.37)	(0.50)	(0.49)

(iv) Expense recognised in the Statement of Profit and Loss

(a) Current Service Cost	87.14	97.97
(b) Interest Cost	52.40	51.88
(c) (Expected Return on Plan Assets)	(44.95)	(35.17)
(d) Actuarial (Gains)/Losses on defined benefit Obligation	(70.37)	(102.23)
(e) Actuarial Losses/(Gains) on plan Assets	3.75	(1.35)
(f) Total Expense recognized	27.97	11.10

Notes to the Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
(v) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets		
(a) Fund with Life Insurance Corporation of India (LIC) (break-up by investment type is not available from LIC).	95.47	100.00
(b) Balance with Bank	4.53	—
Total	<u>100.00</u>	<u>100.00</u>
(vi) Actual Return on Plan Assets	41.20	36.53

B PRINCIPAL ACTUARIAL ASSUMPTIONS MADE BY THE ACTUARY FOR VALUATION OF THE ABOVE MENTIONED EMPLOYEE BENEFITS

(a) Discount Rate (Per annum)	8.25%	7.50%
(b) Expected Rate of Return on Plan Assets (Per annum)	9.00%	8.50%
(c) Rate of Salary Increase (Per annum)	4.00%	4.00%
(d) Mortality Rate	In accordance with standard table LIC (1994-96) ultimate	In accordance with standard table LIC (1994-96) ultimate

C The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. (a) The expected return on plan assets is based on actuarial expectation of the average long term rate of return expected on investment of funds during the estimated term of the obligation..

D The fair value of plan asset have been segregated between the company and the erstwhile product division of MBECL now a part of McNally Sayaji Engineering Limited on the basis of the present value of the obligations as at the end of the year.

E Provident Fund

Provident fund for certain eligible employees is managed by the Company through the "McNally Bharat Employees Provident Fund" in line with the Employees Provident Fund and Miscellaneous Provisions Act, 1952. The plan guarantees interest at the rate notified by the Provident Fund Authorities. The contribution by the employer and employee together with the interest accumulated thereon are payable to employees at the time of their separation from the company or retirement, whichever is earlier. The benefits vest immediately on rendering of the services by the employee. The Guidance on Implementing AS 15, Employee Benefits (Revised 2005) issued by Accounting Standard Board (ASB) states that benefits involving employers established provident funds, which require interest shortfalls to be compensated are to be considered as defined benefit plans. The Actuarial Society of India has issued the final guidance for measurement of provident fund liabilities. The actuary has accordingly provided a valuation and there is no additional liability as at 31st March, 2014, in respect of interest rate guarantee . The Company has contributed amount of Rs. 485.03 Lacs towards Provident Fund during the year 2013-14 (2012-13 : Rs. 473.88 Lacs)

Notes to the Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
F Principal Actuarial Assumptions made by the actuary for valuation of the above employee benefit		
(a) Discount Rate (Per annum)	9.16%	8.23%
(b) Expected Rate of Return on Plan Assets (Per annum)	8.78%	8.13%
(c) Return on EPFO	8.50%	8.50%
(d) Mortality Rate	Indian Assured Lives Mortality (2006-08) ultimate	Indian Assured Lives Mortality (2006-08) ultimate
G Disclosures included are limited to the extent of disclosures provided by the actuary		
H Company's best estimate of contribution expected to be paid to the Funds in the next year		
Gratuity Fund	211.48	
Provident Fund	423.06	

47 CLASSIFICATION OF LONG TERM BORROWINGS

	Classified as Non Current		Classified as Current	
	As at March 31,2014	As at March 31,2013	As at March 31,2014	As at March 31,2013
Secured :				
Term Loan				
From Banks in Foreign Currency	2,964.01	3,457.44	1,270.29	3,157.10
From Bank in Indian Rupee	2,812.50	—	2,187.50	
From Others	4.05	1.59	30.20	36.58
Unsecured :				
From Others	1,485.00	—	6,014.85	—
	<u>7,265.56</u>	<u>3,459.03</u>	<u>9,502.84</u>	<u>3,193.68</u>

Notes to the Financial Statements for the year ended 31.03.2014

(a) Repayment terms and nature of securities given for Long Term Borrowings are as follows :

Repayment terms and nature of securities given for Long term Borrowings are as follows:																					
Name of Lender	Type	Non Current Portion	Current Portion	As at March 31,2014	As at March 31,2013	Nature of Security	Repayment Terms														
DBS Bank Ltd.	Bank	–	–	–	2,085.44	Exclusive charge on the entire fixed assets procured from ECB loan of USD 9.5 Million with assets cover of 1.50 times charge.	Loans will be repaid in 4 installments payable at the end of 12, 24, 36 & 48 months respectively. <table><tr><td>Months</td><td>Repayment (%)</td></tr><tr><td>12</td><td>10.00</td></tr><tr><td>24</td><td>20.00</td></tr><tr><td>36</td><td>30.00</td></tr><tr><td>48</td><td>40.00</td></tr><tr><td>Total</td><td>100.00</td></tr></table>	Months	Repayment (%)	12	10.00	24	20.00	36	30.00	48	40.00	Total	100.00		
Months	Repayment (%)																				
12	10.00																				
24	20.00																				
36	30.00																				
48	40.00																				
Total	100.00																				
ICICI Bank Ltd.	Bank	2,964.01	1,270.29	4,234.30	3,841.60	First charge by way of hypothecation on moveable assets / equipments both present and future with minimum asset cover of 1.25 times on outstanding ECB facility	The Borrower shall repay the total drawn down amount in ten semi annual installments commencing from the end of 30 months from the date of first drawdown.														
Development Credit Bank Ltd.	Bank	–	–	–	687.50	First charge on pari passu basis on all the fixed assets of the company and first charge on pari passu basis on all the movable fixed assets of Kumadhubi (Unit -II), Bangalore unit & Asansol unit (these units now held in the books of McNally Sayaji Engineering Ltd), other than those assets exclusively charged to other banks/ financial institutions, wherever situated present and future.	Tenor : 3 Years 2 months. Repayments within 3 years 2 months from the date of disbursal by way of 14 equal quarterly installments.														
ICICI Bank Ltd.	Bank	2,812.50	2,187.50	5,000.00	–	First pari passu charge (pari passu with Development Credit Bank) on moveable assets/ equipments both present and future excluding those which are exclusively charged to other lenders with minimum asset cover of 1.10 times on the outstanding facility.	16 quarterly installments starting at the end of 15 months from the date of first disbursement i.e., 30th Sept. 2014.														
Tata Capital Ltd.	Non Bank	–	13.15	13.15	38.16	Secured by hypothecation of asset acquired out of the said loan	Repayable in 36 monthly equated installments.														
HDFC Bank Ltd.	Bank	4.05	17.05	21.10	–	Secured by hypothecation of asset acquired out of the said loan	Repayable in 36 monthly equated installments.														
Aditya Birla Finance Ltd	Non Bank	1,485.00	6,014.85	7,499.85	–	Unsecured	Loan will be repaid in following installments: <table><tr><th>Due date</th><th>Amount (Rs)</th></tr><tr><td>31.12.14</td><td>2,507.23</td></tr><tr><td>31.01.15</td><td>1,750.68</td></tr><tr><td>08.06.15</td><td>741.94</td></tr><tr><td>30.09.15</td><td>1,015.00</td></tr><tr><td>30.09.16</td><td>1,485.00</td></tr><tr><td></td><td>7,499.85</td></tr></table>	Due date	Amount (Rs)	31.12.14	2,507.23	31.01.15	1,750.68	08.06.15	741.94	30.09.15	1,015.00	30.09.16	1,485.00		7,499.85
Due date	Amount (Rs)																				
31.12.14	2,507.23																				
31.01.15	1,750.68																				
08.06.15	741.94																				
30.09.15	1,015.00																				
30.09.16	1,485.00																				
	7,499.85																				
		7,265.56	9,502.84	16,768.40	6,652.71																

Notes to the Financial Statements for the year ended 31.03.2014

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

	Classified as Non Current		Classified as Current	
	As at March 31,2014	As at March 31,2013	As at March 31,2014	As at March 31,2013
48 CLASSIFICATION OF PROVISION FOR EMPLOYEE BENEFITS				
Provision for Gratuity	–	–	18.27	147.28
Provision for Priviledged Leave Encashment	479.50	647.69	121.14	25.78
Provision for Other Employee Benefits	235.28	327.80	51.28	31.51
	<u>714.78</u>	<u>975.49</u>	<u>190.69</u>	<u>204.57</u>

49 CLASSIFICATION OF PROVISION FOR TAX

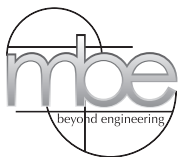
Provision for Tax	6,793.74	6,141.55	–	651.29
	<u>6,793.74</u>	<u>6,141.55</u>	<u>–</u>	<u>651.29</u>

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

51 DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

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

	Currency Pair	As at 31.03.14		As at 31.03.13	
		Buy	Sell	Buy	Sell
(a) The Company uses Forward Exchange and other derivative Contracts to hedge its exposures in foreign currency. The information on such contracts outstanding as at year end are as follows:					
Loan	USD/INR	70.00	–	108.00	–
(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	2.22	–	0.10	–
	EUR/INR	29.45	–	37.17	–
Payable to Subsidiary	USD/INR	4.50	–	6.09	–
	EUR/INR	0.37	–	0.37	–
	ZAR/INR	–	–	2.63	–
Advance to Vendor	USD/INR	–	0.02	–	1.90
	EUR/INR	–	3.06	–	0.23
Advance to Subsidiary	USD/INR	–	0.61	–	16.08
Debtors	USD/INR	–	7.22	–	10.98
	EUR/INR	–	5.90	–	6.76
Advance from customers	USD/INR	21.97	–	14.55	–
Loans	USD/INR	–	–	182.70	–
	EUR/INR	23.83	–	45.23	–
Recoverable from Subsidiary	USD/INR	–	11.38	–	6.21
(c) Mark to market Losses			As at 31.03.14		As at 31.03.13
Mark to market losses provided for			<u>125.86</u>		<u>307.44</u>



Notes to the Financial Statements for the year ended 31.03.2014

52 RESEARCH AND DEVELOPMENT (R&D) EXPENDITURE

Expenditure on R & D - In pursuit of R & D endeavors the company is continuously incurring R&D expenditure both on Capital and Revenue, which has not been separately reflected but is being shown as part of regular heads of accounts in fixed assets and in Statement of Profit and Loss respectively. Accordingly R & D revenue expenditure incurred during the year debited to various account heads is Rs. 143.17 Lacs (2012-13: Rs 230.32 Lacs) and on account of capital expenditure is Rs 18.12 Lacs (2012-13: Rs. 101.63 Lacs).

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

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

Signatories to notes 1 to 54

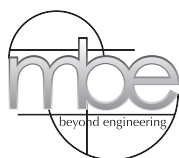
For **Lovelock & Lewes**
Firm Registration Number 301056E
Chartered Accountants
Prabal Kr. Sarkar
Partner
Membership No. 52340
Kolkata, 30th May, 2014

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

Cash Flow Statement for the year ended 31.03.2014

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

	Year Ended March 31,2014	Year Ended March 31,2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) Before Tax	(6,736.48)	5,662.09
Adjustments for:		
Depreciation and Amortization	1,909.92	1,357.71
Finance Cost	15,123.69	10,003.46
Interest Income	(179.62)	(347.33)
Dividend Income	(0.77)	(0.66)
Loss/(Profit) on Disposal of Fixed Assets (Net)	3.50	—
Loss/(Profit) on Sale of Investment (Net)	(1.24)	—
Loss on Investment Written Off	—	2.50
Bad Debts Written Off	390.82	106.93
Unrealized (gain)/ loss on Derivative Contracts	(181.57)	307.44
Provision for Future Foreseeable Losses in Construction Contracts	664.10	—
Unrealised (gain)/ loss on Foreign Currency Translation (Net)	554.66	361.51
Provision for Onerous Contracts	7,500.00	—
	<u>25,783.49</u>	<u>11,791.56</u>
Operating Profit/(Loss) Before Working Capital Changes	19,047.01	17,453.65
Adjustments for Changes in Working Capital :		
(Increase) / Decrease in Trade & Other Receivables	(52,767.33)	(40,960.53)
(Increase) / Decrease in Inventories	(553.27)	(2,483.88)
(Increase) / Decrease in Other Bank Balance	79.82	(39.86)
Increase / (Decrease) in Trade Payables & Other Payables	15,277.81	14,350.75
	<u>(37,962.97)</u>	<u>(29,133.52)</u>
Cash generated from/(used in) Operations	(18,915.96)	(11,679.87)
Direct Taxes Paid (Net of Refund Received)	(2,248.30)	(518.50)
	<u>(2,248.30)</u>	<u>(518.50)</u>
Net cash generated from/(used in) Operating Activities	(21,164.26)	(12,198.37)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2,758.39)	(3,194.80)
Sale of Fixed Assets	36.07	—
Interest Received	179.62	347.33
Dividend Received	0.77	0.66
Sale of Current Investments	8.26	—
Purchase of Investments in Subsidiary	(549.16)	(1,857.42)
(Increase) / Decrease in Fixed Deposit	(191.98)	—
	<u>(3,274.81)</u>	<u>(4,704.23)</u>
Net cash from/(used in) Investing Activities	(3,274.81)	(4,704.23)



Cash Flow Statement for the year ended 31.03.2014

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

	Year Ended March 31,2014	Year Ended March 31,2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance Cost Paid (Including Interest Paid)	(14,765.10)	(9,946.68)
Proceeds from Issue of Shares	150.00	825.00
Security Premium on issue of Preference Shares	–	2,888.40
Proceeds from Long Term Borrowings	12,525.25	–
Repayment of Long Term Borrowings	(3,136.05)	(2,582.72)
Proceeds from Short Term Borrowings	46,376.58	80,252.47
Repayment of Short Term Borrowings	(14,727.98)	(54,217.32)
Increase/(decrease) in the Book Overdraft in Current Account with Banks	(108.98)	179.57
Dividend paid (Including tax thereon)	(465.11)	(339.86)
Net cash from/(used in) Financing Activities	25,848.61	17,058.86
Net increase/(decrease) in Cash and Cash Equivalents	1,409.54	156.26
Cash and Cash Equivalents (Opening Balance) [Refer Note 2 below]	1,301.47	1,145.21
Cash and Cash Equivalents (Closing Balance) [Refer Note 2 below]	2,711.01	1,301.47

Notes:

- The above cash flow statement has been prepared under the Indirect Method as set out in the Accounting Standard- 3 on Cash Flow Statements.
- Cash and Cash Equivalents comprise :

	31.03.2014	31.03.2013
Cash on Hand	197.24	86.63
Cheques on Hand	230.05	–
Remittance in Transit	2.29	0.40
Bank Balances in Current Account	2,281.43	1,214.44
	2,711.01	1,301.47
- Previous year's figures have been rearranged and/or regrouped wherever necessary.

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

For **Lovelock & Lewes**
Firm Registration Number 301056E
Chartered Accountants
Prabal Kr. Sarkar
Partner
Membership No. 52340
Kolkata, 30th May, 2014

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

Independent Auditors' Report

To the Board of Directors of McNally Bharat Engineering Company Limited

1. We have audited the accompanying consolidated financial statements (the "Consolidated Financial Statements") of McNally Bharat Engineering Company Limited ("the Company") and its subsidiaries and associate company; hereinafter referred to as the "Group" (refer Note 1 to the attached consolidated financial statements) which comprise the consolidated Balance Sheet as at March 31, 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information which we have signed under reference to this report.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements and Accounting Standard (AS) 23 – Accounting for Investments in Associates in Consolidated Financial Statements notified under the Companies Act, 1956 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.
7. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to in paragraph 9 below, and to the best of our information and according to the explanations given to us, in our opinion, the accompanying consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2014;
 - (b) in the case of the consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and
 - (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

8. We draw your attention to Note 41 to the financial statements regarding remuneration paid to two whole time directors and Chairman of the Company, in excess of the limits prescribed under Section 198 of the Act, for which approval from Central Government is awaited. Our opinion is not qualified in respect of this matter.

Other Matters

9. We did not audit the financial statements of eleven subsidiaries which constitute total assets of Rs. 11345.64 Lacs and net assets of Rs. 2329.01 Lacs as at March 31, 2014, total revenue of Rs. 21272.34 Lacs, net profit of Rs 3611.90 Lacs and net cash flows amounting to Rs 2228.50 Lacs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
10. We did not audit the financial statements of three subsidiaries which constitute total assets of Rs 4457.76 Lacs and net assets of Rs (1231.43) Lacs as at March 31, 2014, total revenue of Rs. 10747.45 Lac, net loss of Rs 3270.60 Lacs and net cash flows amounting to Rs. 73.62 Lacs for the year then ended. The unaudited financial information has been provided to us by the management, and our opinion on the consolidated financial statements to the extent they relate to these subsidiaries is based solely on such unaudited financial information furnished to us.

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

Kolkata, May 30, 2011

Consolidated Balance Sheet As At 31.03.2014

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

Particulars	Note No	As at March 31, 2014	As at March 31, 2013
I EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	4,084.38	3,934.38
(b) Reserves and surplus	4	27,631.60	35,013.60
2 Minority Interest		4,890.56	4,861.31
3 Non-current liabilities			
(a) Long-term borrowings	5	14,482.89	24,695.16
(b) Deferred tax liabilities (Net)	6	—	534.99
(c) Other Long term liabilities	7	808.47	1,013.79
(d) Long-term provisions	8	9,966.67	9,415.20
4 Current liabilities			
(a) Short-term borrowings	9	113,131.66	77,198.05
(b) Trade payables	10	101,838.15	98,097.54
(c) Other current liabilities	11	81,381.10	65,428.36
(d) Short-term provisions	12	10,797.05	4,210.46
TOTAL		369,012.53	324,402.84
II ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	13	34,901.86	34,048.04
(ii) Intangible assets	13	5,577.94	5,572.18
(iii) Capital work-in-progress		791.36	1,057.18
(b) Non-current investments	14	4.59	9,419.90
(c) Deferred tax assets (net)	30	397.70	—
(d) Long-term loans and advances	16	3,046.66	4,011.85
(e) Other non-current assets	17	759.58	1,203.07
2 Current assets			
(a) Current investments	15	—	7.02
(b) Inventories	18	28,455.86	24,483.30
(c) Trade receivables	19	162,200.08	162,459.27
(d) Cash and Bank Balances	20	5,210.38	5,345.47
(e) Short-term loans and advances	21	28,649.10	26,463.40
(f) Other current assets	22	99,017.42	50,332.16
TOTAL		369,012.53	324,402.84

The notes are an integral part of these financial statements.

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

For **Lovelock & Lewes**
Firm Registration Number 301056E
Chartered Accountants
Prabal Kr. Sarkar
Partner
Membership No. 52340
Kolkata, 30th May, 2014

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

Consolidated Statement of Profit and Loss For The Year Ended 31.03.2014

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

Particulars	Note No	Year Ended March 31, 2014	Year Ended March 31, 2013
I Sale of Equipment & Contract Revenue	23	261,651.51	268,568.06
Sale of Services		2,322.66	1,683.23
Other Operating Revenues		1,894.94	1,880.20
		<u>265,869.11</u>	<u>272,131.49</u>
Less: Excise Duty		2,678.20	3,924.71
		<u>263,190.91</u>	<u>268,206.78</u>
II Other Income	24	7,158.13	2,073.16
III Total Revenue (I+II)		<u>270,349.04</u>	<u>270,279.94</u>
Expenses :			
IV Cost of materials consumed	25	115,561.05	128,025.66
Changes in inventories of finished goods work-in-progress and Stock-in-Trade	29	(2,414.26)	(679.02)
Outsourcing expenses to outsiders for job work		59,799.42	57,306.76
Employee benefit expenses	26	31,484.32	31,935.86
Finance cost	27	19,644.05	13,683.30
Depreciation and amortization expenses	13	4,013.32	3,055.50
Other expenses	28	42,684.17	37,213.38
Total Expenses		<u>270,772.07</u>	<u>270,541.44</u>
V Profit / (Loss) before exceptional items and tax (III - IV)		<u>(423.03)</u>	<u>(261.50)</u>
VI (1) Exceptional Items	47	(531.23)	—
(2) Provision for onerous contracts	46	7,500.00	—
		<u>6,968.77</u>	<u>—</u>
VII Profit / (Loss) before tax (V - VI)		<u>(7,391.80)</u>	<u>(261.50)</u>
VIII Tax Expense :			
(1) Current Tax		1,052.56	2,493.54
(2) Deferred Tax		(932.69)	(565.97)
		<u>119.87</u>	<u>1,927.57</u>
IX Profit / (Loss) after tax before minority interests and share of results of Associate (VII - VIII)		<u>(7,511.67)</u>	<u>(2,189.07)</u>
X (1) Minority Interest		29.25	130.33
(2) Share of (profit) / Loss of associate		—	(133.48)
		<u>29.25</u>	<u>(3.15)</u>
XI Profit / (Loss) for the period (IX - X)		<u>(7,540.92)</u>	<u>(2,185.92)</u>
XII Earnings Per Equity Share : [Nominal Value per share : Rs. 10 (2013:Rs. 10)]			
(1) Basic (Rs.)		(24.66)	(7.05)
(2) Diluted (Rs.)		(24.66)	(7.05)

The notes are an integral part of these financial statements.

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

For **Lovelock & Lewes**
Firm Registration Number 301056E
Chartered Accountants
Prabal Kr. Sarkar
Partner
Membership No. 52340
Kolkata, 30th May, 2014

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

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

1 DISCLOSURE RELATING TO ENTITIES CONSIDERED IN THE CONSOLIDATED FINANCIAL STATEMENTS

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

Sl. No.	Name of the Company	Country of incorporation	As At 31.03.2014		As At 31.03.2013	
			Proportion of Ownership interest	Reporting Dates	Proportion of Ownership interest	Reporting Dates
1.	McNally Sayaji Engineering Limited (MSEL)	India	74.86%	31-Mar-14	74.86%	31-Mar-13
2.	McNally Bharat Equipments Limited	India	99.40%	31-Mar-14	99.40%	31-Mar-13
3.	McNally Bharat Infrastructure Limited	India	99.40%	31-Mar-14	99.40%	31-Mar-13
4.	MBE Minerals Zambia Limited	Zambia	99.99%	31-Mar-14	99.99%	31-Mar-13
5.	MBE Mineral Technologies Pte Limited	Republic of Singapore	100.00%	31-Mar-14	100.00%	31-Mar-13
6.	McNally Bharat Engineering (SA) Proprietary Ltd	South Africa	100.00%	31-Mar-14	100.00%	31-Mar-13
7.	MBE Coal & Mineral Technology India Pvt Ltd	India	99.99%	31-Mar-14	99.99%	31-Mar-13
8.	MBE Coal & Mineral Technology Gmbh (subsidiary of MBE Mineral Technologies Pte Limited)	Germany	100%	31-Mar-14	100%	31-Mar-13
9.	MBE Cologne Engineering Gmbh (subsidiary of MBE Mineral Technologies Pte Limited)	Germany	100%	31-Mar-14	100%	31-Mar-13
10.	MBE Minerals (S.A.) Proprietary Limited. (subsidiary of MBE Coal & Mineral Technology Gmbh)	South Africa	100%	31-Mar-14	100%	31-Mar-13
11.	MBE EWB Kornyezetvedelmi Kft	Hungary	99%	31-Mar-14	99%	31-Mar-13
12.	MBE Mineral Processing Technology (Beijing) Co Ltd (subsidiary MBE Coal & Minerals Technology Gmbh)	China	100%	31-Mar-14	100%	31-Mar-13
13.	MBE Mineral Processing Brasil LTDA (subsidiary of MBE Coal & Minerals Technology Gmbh)	Brazil	99%	31-Mar-14	99%	31-Mar-13
14.	MBE Coal & Mineral Technology Indonesia (subsidiary of MBE Coal & Minerals Technology Gmbh)	Indonesia	100%	31-Mar-14	100%	31-Mar-13
15.	MBE Aufbereitung von Kohle und Mineralien Gmbh (subsidiary of MBE Coal & Minerals Technology Gmbh)	Russia	100%	31-Mar-14	100%	31-Mar-13
16.	Coal & Mineral Technology Holding Gmbh, Germany (subsidiary of MBE Coal & Minerals Technology Gmbh)	Germany	100%	31-Mar-14	100%	31-Mar-13

- (ii) The Consolidated financial statement represents consolidation of accounts of McNally Bharat Engineering Company Limited (the Company) and its following Associate :

Sl. No.	Name of the Company	Country of incorporation	As At 31.03.2014		As At 31.03.2013	
			Proportion of Ownership interest	Reporting Dates	Proportion of Ownership interest	Reporting Dates
1.	Hayward Tyler Group Plc (Held by MBE Mineral Technologies Pte Ltd)	Isle of Man	—	—	41.69%	31.03.2013

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Consolidation

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

The Consolidated financial statements are prepared on the following basis:

- (i) Subsidiaries are consolidated from the date on which control is transferred to the group and are not consolidated from the date that control ceases.
- (ii) The financial statements of the Holding Company and the Subsidiary companies have been combined on a line by line basis by adding together like item of assets, liabilities, income and expenses. The intra group balances, intra group transactions and unrealized profit or losses thereon if any have been fully eliminated where such transactions took place subsequent to the date of acquisitions of the related subsidiary.
- (iii) The financial statements of the subsidiaries used in consolidation are drawn up to the same reporting date as that of the Holding Company in all cases.
- (iv) The excess / shortfall of the consideration given over the net value of the identifiable assets acquired in subsidiary company is recognized as goodwill/ capital reserve. Goodwill is disclosed under Fixed asset. Impairment loss is recognized where applicable.
- (v) The translation of the functional currencies into Indian Rupees (reporting currency) is performed for equity in the foreign subsidiaries, assets and liabilities using the closing exchange rate at the Balance Sheet date, and for revenues, costs and expenses using average exchange rates prevailing during the period . The resultant exchange difference arising out of such transaction is recognized as part of equity (Foreign Currency Translation Reserve Account) by the Parent Company until the disposal of investment.
- (vi) The equity method has been followed where the investment is initially recorded at cost, identifying any goodwill/capital reserve arising at the time of acquisition. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee. The consolidated statement of profit and loss reflects the investor's share of the results of operations of the investee.
- (vii) These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956. All assets and liabilities have been classified as current or non-current as per each entity's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the entities have ascertained their operating cycle for the purpose of current – non-current classification of assets and liabilities as follows:- the Company: 24 months and - subsidiaries: 12 months.

2.2 Tangible Assets, Intangible Assets and Depreciation

- (a) Tangible Assets are stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes inward freight, duties and taxes and expenses incidental to and directly attributable to acquisition and installation of fixed assets. Own manufactured assets are capitalized at cost including an appropriate share of directly attributable overheads. Subsequent expenditures related to an item of fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.
- (b) Depreciation is provided on straight-line method over the estimated useful lives of the assets or the rates prescribed under Schedule XIV to the Companies Act, 1956, whichever is higher. Rates higher than Schedule XIV rates have been used in the following cases.

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

Category of Fixed Assets	Rates of depreciation
Certain items of Factory	Building 5%-10%, 20%
Certain items of Non-factory Building	4.17% - 10%
Certain items of Computers	33.33%
Certain items of Furniture & Fixtures	15%
Certain items of Motor Cars	20%
Certain items of Office Equipment	20%
Certain items of Plant & Machinery	5%-25%

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

- (c) Gains or losses arising from disposal of fixed assets carried at cost are recognized in the Statement of Profit and Loss.
- (d) Intangible Assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight line basis over their estimated useful lives. The amortization period and the amortization method are reviewed at least at each financial year end. If the expected life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. Computer software is amortised over a period of three years.
- (e) Goodwill on consolidation is carried at cost. Goodwill is tested for impairment annually and impairment loss is recognized wherever applicable.

2.3 Borrowing Costs

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

2.4 Impairments

Assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognized for an asset in prior accounting periods may no longer exist or may have decreased.

2.5 Investments

Investments that are readily realizable and are intended to be held for not more than one year from the date, on which such investment are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognize a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

2.6 Inventories

Inventories are stated at lower of cost and net realizable value. Cost is determined using Weighted Average method. 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. Net realizable value is the estimated

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.7 Foreign currency translation

Initial Recognition: On initial recognition, all foreign currency transactions are recorded by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. **Subsequent Recognition:** As at the reporting date, non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Monetary current assets and monetary current liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the Statement of Profit and Loss. **Forward Exchange Contract:** The premium or discount arising at the inception of forward exchange contracts entered into to hedge an existing asset / liability, is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.

2.8 Derivative Contracts

Derivative Contracts (other than forward exchange contracts covered under Accounting Standard 11 on 'The Effects Of Changes In Foreign Exchange Rates'): Derivative contracts outstanding as at year end on account of firm commitment / highly probable forecast transactions are marked to market and the losses, if any, are recognised in the Statement of Profit and Loss and gains are ignored in accordance with the Announcement of Institute of Chartered Accountants of India on 'Accounting for Derivatives' issued in March 2008.

2.9 Revenue Recognition

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

Sale of goods : Sales are recognized when the significant risks and rewards of ownership in the goods are transferred to the buyer as per the terms of the contract and are recognized net of trade discounts, rebates, sales taxes and excise duties. **Sale of Services :** In contracts involving the rendering of services, revenue is measured using the proportionate completion method and are recognized net of service tax.

2.10 Other Income

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

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

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

2.11 Employee Benefits

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

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

Superannuation Fund: The Company operates a superannuation fund scheme for some of its employees towards which the Company contributes upto a maximum of 15% of the employees' current salary, which is charged to the Statement of Profit and Loss. The scheme, which is fully funded, is managed by Trustees and is independent of the Company's finance. **Compensated Absences :** Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end. Accumulated compensated absences, which are expected to be available or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/gains are recognized in the Statement of Profit and Loss in the year in which they arise. **Termination Benefits :** Termination benefits in the nature of voluntary retirement benefit are recognized in the Statement of Profit and Loss as and when incurred. **Post Retirement medical benefit :** Accrued liability towards post employment medical benefits extended to certain categories of employees (Comprising of annual medical insurance premium to cover hospitalization) within a defined monetary limit are evaluated on the basis of actuarial valuation based on Projected Unit Credit (PUC) Method at the end of the year and is recognised as a charge in the accounts. **Other Long Term Employee Benefits :** Other long term employee benefits comprising of entitlement to accumulation of Sick Leave and Long Service Award is provided based on Actuarial valuation as per PUC method carried out as at the end of the year. **Employees' State Insurance Scheme :** Contribution to Central Government administered Employees' State Insurance Scheme for eligible employees is recognised as charge in Statement of Profit and Loss in the year in which they arise.

2.12 Current and Deferred Tax

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions. Deferred tax is recognized for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. At each Balance Sheet date, the Company reassesses unrecognized deferred tax assets, if any. Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

2.13 Provisions and Contingent Liabilities

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

2.14 Leases

As a Lessee :

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

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

2.15 Cash and Cash Equivalents

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

2.16 Earning per share

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

2.17 Government Grants

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

2.18 Warranty Provision

A warranty provision is raised for future estimated warranty claims based on past experience, as well as specific claims known at year end.

2.19 Use of Estimates

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

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

3 SHARE CAPITAL

Authorised :

	As at March 31,2014	As at March 31,2013
4,00,00,000 (March 31,2013 : 4,00,00,000) Equity Shares of Rs. 10/- each	4,000.00	4,000.00
1,20,00,000 (March 31,2013 : 1,20,00,000) 11.50% Non-Convertible Redeemable Preference Shares of Rs. 100/- each	12,000.00	12,000.00
	16,000.00	16,000.00

Issued, Subscribed & Paid up :

3,10,93,818 (March 31,2013 : 3,10,93,818) Equity Shares of Rs. 10/- each fully paid up.	3,109.38	3,109.38
9,75,000 (March 31,2013 : 8,25,000) 11.50% Non-Convertible Redeemable Preference Shares of Rs. 100/- each fully paid up.	975.00	825.00
	4,084.38	3,934.38

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

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

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

	As at 31.03.2014		As at 31.03.2013	
	No. of shares	Rs in Lacs	No of shares	Rs in lacs
At the beginning of the year	825,000.00	825.00	—	—
Add: Issued during the year	150,000.00	150.00	825,000.00	825.00
At the end of the year	975,000.00	975.00	825,000.00	825.00

(c) Right and restrictions attached to shares :

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

Preference Shares: The Company has cumulative, non convertible redeemable preference shares of Rs 100 each at a coupon rate of 11.50% p.a.

Tenure of these Preference Shares is 7 years from the date of issue.

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

Sl. No.	Name of Equity Shareholders	As at March 31,2014		As at March 31,2013	
		No of Shares	% Held	No of Shares	% Held
1	Williamson Magor & Company Ltd.	1,879,748	6.05%	3,179,748	10.23%
2	McLeod Russel India Ltd.	3,052,295	9.82%	3,052,295	9.82%

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

Sl. No.	Name of Non-Convertible Redeemable Preference Shareholders	As at March 31,2014		As at March 31,2013	
		No of Shares	% Held	No of Shares	% Held
1	Tata Capital Financial Services Limited	625,000	64.10%	625,000	75.76%
2	Brijesh Kumar Biyani	100,000	10.26%	100,000	12.12%
3	Vyana Advisory Private Limited	—	—	100,000	12.12%
4	Rahul Mohindar	50,000	5.12%	—	—
5	Vinay Mohindar	100,000	10.26%	—	—
6	Mridula Mohata	100,000	10.26%	—	—

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
4 RESERVES AND SURPLUS		
Capital Redemption Reserve	15.05	12.85
Capital Reserve		
Balance as per Last Account	2,031.00	486.59
Adjustment due to Foreign Currency Fluctuation	571.92	1,544.41
Balance as at 31st March, 2014	2,602.92	2,031.00
Securities Premium Account	8,460.30	8,460.30
Securities Premium Account-Non-Convertible Preference Share	2,884.40	2,888.40
Foreign currency translation reserve		
Balance as per Last Account	(1,276.63)	(1,758.59)
Add: Adjustment for translation of non integral foreign operations	(288.40)	481.96
Balance as at 31st March, 2014	(1,565.03)	(1,276.63)
General Reserve		
Balance as per last account	1,624.49	1,590.65
Add: Consequent to change in Group Interest	—	33.84
Add : Transferred from Profit and Loss account	210.29	—
Balance as at 31st March, 2014	1,834.78	1,624.49
Surplus in Statement of Profit and Loss		
Balance as at the beginning of the year	21,273.19	24,190.65
Consequent to change in Group Interest	—	(243.93)
Share of Loss of Minority absorbed by Majority	—	0.12
Profit for the year	(7,540.92)	(2,185.92)
	13,732.27	21,760.92
Less : Appropriations		
Proposed Dividend on Equity shares for the year*	—	427.33
Dividend on Preference shares for the year	108.75	6.46
Dividend Distribution Tax on Proposed Dividend on Equity Shares	—	52.84
Dividend Distribution Tax on Dividend on Preference Shares	18.48	1.10
Transfer to General Reserve	210.29	—
Others	(4.43)	—
Balance at the end of the year	13,399.18	21,273.19
	27,631.60	35,013.60
*Includes dividend proposed by subsidiary on which right to receive has not been established as on the balance sheet date hence not considered as income by parent entity.		
5 LONG TERM BORROWINGS		
Secured : [Refer Note 43]		
Term Loan		
From Banks in Foreign Currency	10,178.30	24,673.57
From Bank in Indian Rupee	2,815.54	1.59
From Others	4.05	—
Unsecured :		
Other than from Banks	1,485.00	20.00
	14,482.89	24,695.16

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
6 DEFERRED TAX LIABILITIES (NET)		
Liabilities :		
Difference between written down value of block of assets as per Income tax laws and book written down value of the fixed assets	—	3,507.18
Assets :		
Items allowable for tax purposes on payment	—	(327.40)
Business losses	—	(2,347.05)
Others	—	(297.74)
	<u>—</u>	<u>534.99</u>
(a) Deferred Tax Assets and Deferred Tax Liabilities have been offset as they relate to the same governing taxation laws		
7 OTHER LONG TERM LIABILITIES		
Trade Payables (Including Acceptance)	29.66	24.75
Advance from Customers	26.81	600.00
Others	752.00	389.04
	<u>808.47</u>	<u>1,013.79</u>
8 LONG-TERM PROVISIONS		
Provision for Employee Benefits :		
Provision for Privileged Leave Encashment	1,886.19	1,752.67
Provision for Other Employee Benefits	244.22	877.26
	<u>2,130.41</u>	<u>2,629.93</u>
Other Provisions :		
Provision for Lease Rent	617.88	492.36
Provision for Tax	6,793.74	6,141.55
Others	424.64	151.36
	<u>9,966.67</u>	<u>9,415.20</u>
9 SHORT-TERM BORROWINGS		
Secured : [Refer Note 44]		
Term Loan from Banks :		
Indian Rupee Loan	17,478.11	9,234.24
Foreign Currency Loan	1,989.72	3,196.22
Loan Repayable on demand :		
From Banks	68,478.59	50,554.48
From Others	—	2,500.00
Unsecured :		
From Banks	16,609.24	8,962.82
From Others	8,576.00	2,750.29
	<u>113,131.66</u>	<u>77,198.05</u>

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
10 TRADE PAYABLES		
Acceptances	10,071.05	9,608.19
Trade Creditors	91,643.98	88,489.35
Dues to micro enterprises and small enterprises	123.12	—
	101,838.15	98,097.54
11 OTHER CURRENT LIABILITIES		
Current Maturities of Long Term Debt	11,912.03	4,821.25
Interest Accrued but not due on borrowings	362.21	635.50
Other Interest Accrued but not due	313.60	—
Interest Accrued and due on borrowings	77.78	52.29
Income Received in advance	305.79	602.38
Unpaid Dividends [Refer note (a) below]	193.62	146.02
Advances from Customers	58,580.12	41,857.42
Employee Benefits payable	1,455.12	1,702.33
Security Deposits	36.68	36.42
Due to Customers [Refer Note (b) below]	4,555.71	10,093.79
Creditors for Purchase of Fixed Assets	810.82	1,509.21
Advance received for sale of Land	—	212.50
Statutory dues	772.37	433.86
Book Overdraft in Current Account with Banks	70.59	179.57
Others Payable	1,934.66	3,145.82
	81,381.10	65,428.36
(a) There is no amount due for payment to the Investor Education and Protection Fund under section 205C of the Companies Act, 1956 as at the year end.		
(b) Excess of Actual billing over cost incurred and profit /loss recognised.		
12 SHORT-TERM PROVISIONS		
Provision for Employee Benefits : [Refer Note No. 36]		
Provision for Gratuity	192.72	347.84
Provision for Priviledged Leave Encashment	145.22	347.03
Provision for Other Employee Benefits	1,297.43	1,132.30
	1,635.37	1,827.17
Other Provisions :		
Provision for Tax	—	1,144.27
Provision for Proposed Dividend	27.65	317.39
Provision for Corporate Dividend Tax	4.70	54.51
Provision for Future Foreseeable Losses in Construction Contracts	664.10	—
Provision for onerous contracts	7,500.00	—
Warranty	304.49	517.85
Provision for Mark to Market Loss on Derivative Contracts	125.86	—
Liquidated damages	324.84	349.27
Others	210.04	—
	10,797.05	4,210.46

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

13 FIXED ASSETS

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

Particulars	GROSS BLOCK				DEPRECIATION/ AMORTISATION				NET BLOCK		
	April 1, 2013	Additions	Sales/ Adjustments	Foreign Exchange Translation Reserve Adjustments	March 31, 2014	April 1, 2013	For the year	Sales/ Adjustments	Foreign Exchange Translation Reserve Adjustments	March 31, 2014	March 31, 2013
Tangible Assets :											
Free Hold Land	256.85	—	—	—	256.85	—	—	—	—	256.85	256.85
Lease Hold Land	2,522.07	235.97	0.22	—	2,757.82	57.61	22.63	3.00	—	2,680.58	2,464.46
Building	12,089.93	1,027.43	50.73	16.19	13,082.82	868.89	428.02	0.01	17.40	11,768.52	11,221.04
Plant & Machinery	25,193.39	2,697.55	248.11	136.54	27,779.37	7,423.82	2,501.26	176.29	83.98	17,946.60	17,769.57
Furniture & Fixture	1,591.12	141.04	185.57	0.54	1,547.13	486.06	128.12	48.61	0.98	566.55	1,105.06
Vehicles	422.63	44.65	59.33	0.45	408.40	177.90	52.64	39.23	1.19	192.50	244.73
Office Equipments	1,320.92	194.94	35.91	31.37	1,511.32	696.67	111.14	27.47	19.80	800.14	624.25
Refrigerators & Air Conditioners	356.58	3.38	1.61	0.03	358.38	65.60	5.20	0.94	15.23	273.29	290.98
Telephone Plant	96.82	2.84	—	3.00	102.66	25.72	5.81	-	2.77	34.30	71.10
(A)	43,850.31	4,347.80	581.48	188.12	47,804.75	9,802.27	3,254.82	295.55	141.35	12,902.89	34,048.04
Intangible Assets :											
Goodwill	3,865.65	407.64	—	97.14	4,370.43	0.10	—	—	—	4,370.33	3,865.55
Technology for:											
Pumps	19.77	—	—	—	19.77	19.77	—	—	—	19.77	—
Designs and drawings	2,261.11	32.33	—	1.89	2,295.33	1,617.41	323.86	—	27.95	1,969.22	643.70
Computer software	2,479.09	285.49	72.71	0.95	2,692.82	1,416.16	434.64	54.09	14.61	1,811.32	1,062.93
(B)	8,625.62	725.46	72.71	99.98	9,378.35	3,053.44	758.50	54.09	42.56	3,800.41	5,572.18
Total (A + B)	52,475.93	5,073.26	654.19	288.10	57,183.10	12,855.71	4,013.32	349.64	183.91	16,703.30	39,620.22
As on 31.03.2013	44,744.59	14,445.05	6,527.70	(186.01)	52,475.93	10,191.02	3,055.50	296.74	(94.07)	39,620.22	34,553.57

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
14 NON-CURRENT INVESTMENTS		
Trade Investments (Valued at Cost)		
(a) Quoted Equity Shares		
Investment in Associates		
Nil (2012-13: 18971166) Equity Shares in Hyward Tyler Group Plc (formerly known as Specialist Energy Group Plc). of 1 penny each fully paid	—	9,415.30
Including Goodwill on investment in associates of Rs. Nil (2012-13:16395 Lacs)		
Other Than Trade Investments (Valued at cost)		
(a) Quoted Equity Instruments		
10,960 (March 31,2013 - 10,960) Equity Shares of Rs. 5 each fully paid up in Eveready Industries India Ltd.	2.28	2.28
10,960 (March 31,2013 - 10,960) Equity Shares of Rs. 5 each fully paid up in Mcleod Russel India Ltd.	2.28	2.28
(b) Unquoted Equity Instruments		
– 100 shares of Rs25/- each of Co Operative Bank of Baroda Ltd	0.03	0.03
– 100 shares of Rs10/- each fully paid-up of McNally Bharat Co-operative Credit Society Limited	—	0.01
	4.59	9,419.90
Aggregate amount of quoted Investments	4.56	9,419.86
Market value of quoted investments	38.47	4,412.99
Aggregate amount of unquoted Investments	0.03	0.04
15 CURRENT INVESTMENTS		
(a) Mutual Funds (Unquoted) :		
Investment in Nil (March 31,2013-383.925 Units) of IDFC Liquid Fund-Growth (Valued at cost)	—	7.02
	—	7.02
Aggregate amount of unquoted Investments	—	7.02
16 LONG-TERM LOANS AND ADVANCES		
Unsecured Considered Good (Unless otherwise stated):		
Capital Advances	298.60	91.82
Security Deposits	251.78	310.26
Other Loans and Advances		
Balances with Government Authorities	0.46	0.46
Others	2,495.82	3,609.31
	3,046.66	4,011.85

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
17 OTHER NON-CURRENT ASSETS		
Long term trade receivables:		
Unsecured Considered Good	553.75	876.43
Others :		
Long term deposits with banks	14.49	262.16
Margin Money Deposit	191.34	64.37
Preliminary expenses not written off	—	0.11
	759.58	1,203.07
18 INVENTORIES		
Raw Materials	15,676.54	13,915.56
Work-in-progress	11,690.96	9,349.13
Finished Goods	108.92	36.49
Loose Tools	82.50	95.21
Stores and Spares	896.94	1,086.91
	28,455.86	24,483.30
19 TRADE RECEIVABLES		
Secured - Considered Good		
Outstanding for a period exceeding six months from the date they are due for payment	732.20	206.04
Other Debts	4,478.55	2,066.20
	5,210.75	2,272.24
Unsecured - Considered Good		
Outstanding for a period exceeding six months from the date they are due for payment	27,797.47	26,487.30
Other Debts	129,191.86	133,699.73
	156,989.33	160,187.03
Unsecured - Considered Doubtful		
Outstanding for a period exceeding six months from the date they are due for payment	1,222.68	1,191.49
Other Debts	92.56	29.97
	1,315.24	1,221.46
Less: Provision for doubtful debts	1,315.24	1,221.46
	162,200.08	162,459.27

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
20 CASH AND BANK BALANCES		
Cash & Cash Equivalents		
Cash on Hand	210.62	103.23
Cheques on Hand	230.05	–
Remittance in Transit	60.79	13.39
Bank Balances		
Bank Balances in Current Account	4,087.01	3,990.22
Demand Deposits (Less than 3 months maturity)	586.80	399.02
Other Bank Balances		
Long term deposits with maturity more than 3 months but less than 12 months	5.55	436.40
Margin Money Deposit	–	372.80
Unpaid Dividend Account	29.56	30.41
	5,210.38	5,345.47
21 SHORT-TERM LOANS AND ADVANCES		
Secured considered good		
Others	0.01	2.15
Unsecured considered good		
Loans & Advance to Related Parties		
Recoverable from Whole time Director	22.40	–
Other Loans & Advances		
Advance Income Tax	1,228.60	308.27
Income Tax Refund Receivable	223.30	811.37
Balance with Statutory / Government Authorities	5,426.22	7,551.31
Security Deposits	287.59	247.59
Prepaid Expenses	594.99	334.92
Advance to Supplier & Others	20,444.84	16,996.24
Employee Advance	71.86	59.36
Others	349.29	152.19
	28,649.10	26,463.40
22 OTHER CURRENT ASSETS		
Unsecured Considered good :		
Due from Customers [Refer note (a)]	98,907.29	49,055.05
Interest Receivable	0.02	24.86
Asset held for disposal	–	908.86
Receivable for sale of tangible assets	–	42.81
Insurance Claim Receivables	0.23	–
Unamortised Expenses :		
Current portion of Foreign Currency Monetary item translation difference account	5.32	172.40
Others	104.56	128.18
	99,017.42	50,332.16

(a) Excess of cost incurred and profit/loss recognised as per AS 7 over actual sales billing .

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

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

	Year Ended March 31,2014	Year Ended March 31,2013
23 REVENUE FROM OPERATION		
Sale of Equipment & Contract Revenue	261,651.51	268,568.06
Sale of Services	2,322.66	1,683.23
Other Operating Revenue :		
Duty Drawback	1.60	26.13
Sale of Scrap	1,620.54	1,723.55
Energy Income - Wind Mill	99.84	112.08
Agency Income	32.18	5.81
Recovery of Bad Debt	81.61	—
Misc. Income	59.17	12.63
	<u>1,894.94</u>	<u>1,880.20</u>
Total	265,869.11	272,131.49
Less: Excise Duty	<u>2,678.20</u>	<u>3,924.71</u>
	<u>263,190.91</u>	<u>268,206.78</u>
	<u>263,190.91</u>	<u>268,206.78</u>
24 OTHER INCOME		
Interest Income	340.90	488.80
Dividend Income		
From Long Term Investments Other than trade	0.77	0.66
Net Gain/(Loss) on sale of Investment		
Long term Trade investment	1,789.78	—
Current Investment	1.24	0.07
Liabilities / Provisions no longer required written back	553.18	481.94
Provision for Loss on Derivatives - Mark to Market Valuation - No longer required - written back	262.63	—
Profit on Sale of Fixed Assets (net)	—	165.49
Profit on unhedging of Foreign Currency Loan	1,406.40	—
Miscellaneous Income	2,803.23	936.20
	<u>7,158.13</u>	<u>2,073.16</u>
	<u>7,158.13</u>	<u>2,073.16</u>
25 COST OF MATERIALS CONSUMED		
Raw Material Consumed		
Opening Inventory	13,915.56	12,756.05
Add : Purchases	45,895.91	46,592.54
Less : Inventory at the end of the year	<u>15,676.54</u>	<u>13,915.56</u>
Cost of Raw Materials consumed during the year	44,134.93	45,433.03
Consumption of bought out Components and related Spare	71,426.12	82,592.63
	<u>115,561.05</u>	<u>128,025.66</u>
	<u>115,561.05</u>	<u>128,025.66</u>

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

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

	Year Ended March 31,2014	Year Ended March 31,2013
26 EMPLOYEE BENEFIT EXPENSES [Refer Note No 36]		
Salaries, Wages & Bonus	27,010.07	27,358.43
Contribution to Provident Fund	738.80	747.17
Contribution to Super Annuation Fund	18.19	18.51
Contribution to Gratuity Fund	85.00	154.64
Workmen and Staff Welfare Expenses	3,632.26	3,657.11
	31,484.32	31,935.86
27 FINANCE COST		
Interest Expense	16,934.54	12,396.86
Other Borrowing Costs	1,986.34	923.37
Net Loss on foreign currency transactions and translation	723.17	363.07
	19,644.05	13,683.30
28 OTHER EXPENSES		
Consumption of Stores & Spare Parts	3,141.70	2,384.71
Power & Fuel	2,577.63	2,301.73
Rent	3,176.01	2,746.34
Repairs to Buildings	96.83	106.96
Repairs to Machinery	363.66	357.66
Repairs to Others	121.66	110.49
Insurance	836.15	706.59
Freight	221.31	849.24
Payment to Auditors :		
As Auditors :		
Audit Fees	93.06	120.68
Other Fees	120.31	115.53
For Other Services	33.93	99.23
For reimbursement of expenses	1.08	3.59
Director Fees	125.06	120.82
Rates & Taxes	973.21	702.93
Impairment loss on Investment	—	3,507.48
Cartage & Freight	7,669.13	5,472.06
Bank Charges	3,436.57	2,472.55
Professional Services	5,692.64	5,540.67
Provision for Warranty	1,420.31	—
Travelling	4,202.10	3,956.76
Net Loss on foreign currency transactions and translation (other than considered in finance cost)	2,658.10	251.16
Loss on Derivatives - Mark to Market Valuation	—	1,301.40
Bad Debts	425.95	176.19
Loss on Sale of Fixed Assets (net)	0.95	—
Agency commission & Selling expenses	53.58	—
Provision for Future Foreseeable Losses in Construction Contracts (Refer Note 48)	874.14	—
Miscellaneous Expenses	4,369.10	3,808.61
	42,684.17	37,213.38

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
29 CHANGES IN INVENTORIES OF FINISHED GOODS WORK-IN-PROGRESS		
Opening Stock		
Work-in-Progress	9,349.13	8,664.74
Stock -in-trade	—	—
Finished Goods	36.49	41.86
	<u>9,385.62</u>	<u>8,706.60</u>
Less:		
Closing Stock		
Work-in-Progress	11,690.96	9,349.13
Stock -in-trade	—	—
Finished Goods	108.92	36.49
	<u>11,799.88</u>	<u>9,385.62</u>
	<u>(2,414.26)</u>	<u>(679.02)</u>
30 DEFERRED TAX ASSETS (NET)		
Assets :		
Items allowable for tax purposes on payment	278.10	—
Business losses	1,629.60	—
Others	424.37	—
Liabilities :		
Difference between written down value of block of assets as per Income tax laws and book written down value of the fixed assets	(1,934.37)	—
	<u>397.70</u>	<u>—</u>

(a) Deferred Tax Assets and Deferred Tax Liabilities have been offset as they relate to the same governing taxation laws

- 31 The company had entered in September 2003 a joint venture agreement with Elsamex S.A. where officially it was appointed as a subcontractor in "West Bengal Corridor Development Project – Improvement of Gazole Hilli Section of SH 10 with a link to Balurghat from Patiram," (the project). However consequent to considerable delay in execution of the project the Public Works Department of Government of West Bengal (PWD) had unilaterally terminated the contract in January 2006. The company and Elsamex S.A. felt that such delay in execution was due to the inability of PWD to hand over the stretch of encumbrance free land for widening of road and non-availability of construction drawings on time by PWD. The company has a legitimate claim of Rs. 1517 lacs towards receivable (included in Note No.19) and Rs.1133 lacs on account of deposit against Performance Guarantee (included in Note No.21). Elsamex S.A. moved to arbitration and had claimed an amount of Rs.7334 lacs including an additional claim on consequential losses as per guidelines of "Federation Internationale Des Ingenieurs-Conseils" (FIDIC). Arbitral Board in their meeting held on 25th October 2010 has upheld Elsamex S A's claim and has given award in favour of Elsamex S A. Under the award, a total amount of Rs.3535 lacs is receivable by the company. A claim has already been lodged with PWD. PWD has preferred to challenge the verdict of the Arbitrators and has appealed to the High Court for a stay in the matter of payment of award money.

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
32 LEASES		
As a Lessee		
The company has significant operating leases for premises. These lease arrangements include both cancellable and non-cancellable leases. Most of the leases are renewable for further period on mutually agreeable term. The aggregate lease rentals payable are charged as Rent under Note No. 28. With respect to non-cancellable operating leases, the future minimum lease payments are as follows:		
Not later than one year	238.00	526.87
Later than one year and not later than five years	82.47	212.87
Later than five years	—	—
33 INFORMATION IN ACCORDANCE WITH AS-7 CONSTRUCTION CONTRACTS, IN RESPECT OF CONTRACTS IN PROGRESS AS AT YEAR END DATE		
Contract costs incurred	1,031,962.91	847,065.45
Add: Recognised profits net of recognised losses	75,653.60	63,371.57
Contract Revenues	1,107,616.51	910,437.02
Progress billing	1,013,264.94	871,475.76
Unbilled revenue (Net)	94,351.57	38,961.26
Due from customers	98,907.29	49,055.05
Due to customers	4,555.71	10,093.79
Advance payments received	57,689.44	40,567.89
Amount of retentions	76,926.27	76,518.07
34 PROVISIONS FOR LIQUIDATED DAMAGES		
The company has as a matter of abundant caution recorded an accrual for liquidated damages in respect of contracts where there has been a default in providing services on time to customers in terms of deliverables as agreed to in the contracts. The movement in the carrying value of liquidated damages is as follows:		
Opening Balance	994.11	1,180.35
Additional provision during the year	0.86	—
Provision utilised during the year	—	(6.00)
Provision written back	(32.93)	(180.24)
Closing Balance	962.04	994.11
Included in provision for doubtful debt	637.20	644.85
Included in other provision	324.84	349.26

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

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

**As at March
31,2014** **As at March
31,2013**

35 PROVISIONS FOR WARRANTIES

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

Opening Balance	465.12	709.78
Additional provision during the year	1,420.31	54.96
Provision reversed during the year	(652.61)	(70.44)
Provision utilised during the year	(428.91)	(229.18)
Closing Balance	803.91	465.12

36

A. GRATUITY (FUNDED)

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

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

(a) Present Value of Obligation at the beginning of the year	1,519	1,587
(b) Current Service Cost	132	145
(c) Interest Cost	134	131
(d) Actuarial (Gains)/Losses	(75)	(134)
(e) Benefits Paid	(253)	(210)
(f) Present Value of Obligation at the end of the year	<u>1,457</u>	<u>1,519</u>

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

(a) Fair Value of Plan Assets at the beginning of the year	1,213	1,145
(b) Expected Return on Plan Assets	112	101
(c) Actuarial Gains/(Losses)	(6)	3
(d) Contributions by employer	195	173
(e) (Benefits paid)	(250)	(209)
(f) Fair Value of Plan Assets at the end of the year	<u>1,264</u>	<u>1,213</u>

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

	2013-14	2012-13	2011-12	2010-11	2009-10
(a) Present Value of Obligation as at the end of the year	1,457	1,521	1,587	1,328	1,091
(b) Fair Value of Plan Assets as at the end of the year	1,264	1,212	1,145	998	826
(c) Liabilities recognized in the Balance Sheet	(193)	(308)	(442)	(330)	(265)
(d) Experience (Gain)/loss adjustments on plan liabilities	(75)	(134)	101	61	65
(e) Experience Gain/(loss) adjustments on plan assets	(6)	3	1	(1)	(0)

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

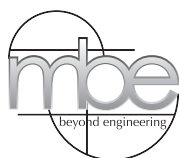
(All figures in Rs. Lacs, unless otherwise stated)

	As at March 31,2014	As at March 31,2013
(iv) Expense recognised in the Statement of Profit and Loss		
(a) Current Service Cost	132	145
(b) Interest Cost	134	131
(c) (Expected Return on Plan Assets)	(112)	(101)
(d) Actuarial (Gains)/Losses on defined benefit Obligation	(75)	(134)
(e) Actuarial Losses/(Gains) on plan Assets	6	(3)
(f) Total Expense recognized and included	85	38
(v) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets :		
(a) Fund with LIC	95.56%	100.00%
(b) Balance with Bank	4.44%	0.00%
Total	100.00%	100.00%
(vi) Actual Return on Plan Assets	107	102
B PRINCIPAL ACTUARIAL ASSUMPTIONS MADE BY THE ACTUARY FOR VALUATION OF THE ABOVE MENTIONED EMPLOYEE BENEFITS :		
(a) Discount Rate (Per annum)	8.25%	7.50%
(b) Expected Rate of Return on Plan Assets (Per annum)	9.00%	8.50%
(c) Rate of Salary Increase (Per annum)	4.00%	4.00%
(d) Mortality Rate	In accordance with standard table LIC (1994-96) ultimate	In accordance with standard table LIC (1994-96) ultimate

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

D PROVIDENT FUND

Provident fund for certain eligible employees is managed by the Company through the "McNally Bharat Employees Provident Fund" in line with the Employees Provident Fund and Miscellaneous Provisions Act, 1952. The plan guarantees interest at the rate notified by the Provident Fund Authorities. The contribution by the employer and employee together with the interest accumulated thereon are payable to employees at the time of their separation from the company or retirement, whichever is earlier. The benefits vest immediately on rendering of the services by the employee. The Guidance on Implementing AS 15, Employee Benefits (Revised 2005) issued by Accounting Standard Board (ASB) states that benefits involving employers established provident funds, which require interest shortfalls to be compensated are to be considered as defined benefit plans. The Actuarial Society of India has issued the final guidance for measurement of provident fund liabilities. The actuary has accordingly provided a valuation and there is no additional liability as at 31st March, 2014, in respect of interest rate guarantee.



Notes to the Consolidated Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
E PRINCIPAL ACTUARIAL ASSUMPTIONS MADE BY THE ACTUARY FOR VALUATION OF THE ABOVE EMPLOYEE BENEFIT :		
(a) Discount Rate (Per annum)	9.16%	8.23%
(b) Expected Rate of Return on Plan Assets (Per annum)	8.78%	8.13%
(c) Return on EPFO	8.50%	8.50%
(d) Mortality Rate	Indian Assured Lives Mortality (2006-08) ultimate	Indian Assured Lives Mortality (2006-08) ultimate
F Disclosures included are limited to the extent of disclosures provided by the actuary		
G COMPANY'S BEST ESTIMATE OF CONTRIBUTION EXPECTED TO BE PAID TO THE FUNDS IN THE NEXT YEAR :		
Gratuity Fund	211.48	204.22
Provident Fund	423.06	468.14
Information pertaining to the year required to be considered as per AS-15 is disclosed to the extent given by actuaries.		
37 Pursuant to the Announcement on Accounting for derivatives issued by the Institute of Chartered Accountants of India in March, 2008, the company has accounted for during the year reversal of loss amounting to Rs Lacs 262.63 in respect of outstanding derivative contracts at the balance sheet date by marking them to market.		
38 RESEARCH AND DEVELOPMENT EXPENDITURE		
Expenditure on R & D - In pursuit of R & D endeavors the company is continuously incurring R&D expenditure both on Capital and Revenue which has not been separately reflected but is being shown as part of regular heads of accounts in fixed assets and in Statement of Profit and Loss respectively. Accordingly R & D revenue expenditure incurred during the year debited to various account heads is Rs. 143.17 Lacs (2012-13: Rs 230.32 Lacs) and on account of capital expenditure is Rs 18.12 Lacs (2012-13: Rs. 101.63 Lacs).		
39 SEGMENT REPORTING		
The company has only one "Business segment" and one "Geographical segment" as defined in Accounting Standard - 17 on "Segment Reporting".		

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
40 (a) Estimated amount of Contracts remaining to be executed on capital account and not provided for	1,112.83	314.42
(b) Claims against the company not acknowledged as debt	100.00	100.00
(c) Other money for which the Company is contingently liable:		
(i) Excise Duty matters pending in appeal related to issues of applicability and classification	215.00	215.00
(ii) Sales Tax/VAT matters pending in appeal relating to disputes regarding assessable value and exemptions claimed	4,267.11	2,996.46
(iii) Service Tax Matters pending in appeal relating to issues of applicability	27.00	21.20
(iv) Corporate guarantees given	16,351.00	36,024.00
(v) Other guarantees given	3,865.26	3,200.00
(vi) Standby letter of credit	3,391.01	1,670.00
(vii) Other demands related to claims made by certain ex-employees towards employee benefits due to them	—	2.11
(viii) Other commitments	107.61	—
(ix) Bills discounted with banks against letter of credit	1,400.00	—
(x) Demand for Income Tax	1,437.32	—
The extent of probable cash outflow in respect of the above matters is not determinable at this stage		

41 RELATED PARTY DISCLOSURES

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

(i) Relationships :

Key Management Personnel

Mr. Deepak Khaitan	— Executive Chairman (MBECL)
Mr. Prasanta Kumar Chandra	— Whole Time Director and COO (MBECL)
Mr. Prabir Ghosh	— Whole Time Director and Group CFO
Mr. Subir Chaki	— Whole Time Director (MSEL)
Mr. G Mustafi	— Director & Chief Executive Officer (CMT India)

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

Remuneration Paid

Mr. Deepak Khaitan	415.29	306.28
Mr. Prasanta Kumar Chandra	128.41	154.33
Mr. Prabir Ghosh	128.73	155.13
Mr. Subir Chaki	96.00	102.00
Mr. G Mustafi	68.25	—
Advance Paid (Mr. Subir Chaki)	22.00	26.00
Dividend Paid	0.01	0.03

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
42 EARNINGS PER SHARE		
Number of Equity Shares at the beginning of the year.	31,093,818	31,093,818
Number of Equity Shares at the end of the year.	31,093,818	31,093,818
Weighted average number of equity shares outstanding during the year	31,093,818	31,093,818
Profit after Taxation	(7,540.92)	(2,185.92)
Less: Dividend on Preference Shares	127.23	7.56
Profit after Taxation available for equity shareholders.	(7,668.15)	(2,193.48)
Face Value of Each Equity Share (Rs.)	10.00	10.00
Earnings Per Share - Basic (Rs.)	(24.66)	(7.05)
Earnings Per Share - Diluted (Rs.)	(24.66)	(7.05)

43 SECURED LONG TERM BORROWINGS

	Classified as Non Current		Classified as Current	
	As at March 31,2014	As at March 31,2013	As at March 31,2014	As at March 31,2013
Secured :				
From Bank	12,993.84	24,673.57	5,861.04	4,776.70
From Others	4.05	1.59	30.20	36.58
	<u>12,997.89</u>	<u>24,675.16</u>	<u>5,891.24</u>	<u>4,813.28</u>

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

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

Name of Lender	As at March 31,2014	As at March 31,2013	Nature of Security	Repayment Terms												
DBS Bank Ltd.	–	2,085.44	Exclusive charge on the entire fixed assets procured from ECB loan of USD 9.5 Million with assets cover of 1.50 times charge.	Loans will be repaid in 4 instalments payable at the end of 12, 24, 36 & 48 months respectively. <table><tr><th>Months</th><th>Repayment (%)</th></tr><tr><td>12</td><td>10.00</td></tr><tr><td>24</td><td>20.00</td></tr><tr><td>36</td><td>30.00</td></tr><tr><td>48</td><td>40.00</td></tr><tr><td>Total</td><td>100.00</td></tr></table>	Months	Repayment (%)	12	10.00	24	20.00	36	30.00	48	40.00	Total	100.00
Months	Repayment (%)															
12	10.00															
24	20.00															
36	30.00															
48	40.00															
Total	100.00															
ICICI Bank Ltd.	4,234.30	3,841.60	First charge by way of hypothecation on moveable assets / equipment both present and future with minimum asset cover of 1.25 times on outstanding ECB facility	The Borrower shall repay the total drawn down amount in ten semi annual instalments commencing from the end of 30 months from the date of first drawdown.												
Development Credit Bank Ltd.	–	687.50	First charge on pari passu basis on all the fixed assets of the company and first charge on pari passu basis on all the movable fixed assets of Kumadhubi (Unit -II), Bangalore unit & Asansol unit (these units now held in the books of McNally Sayaji Engineering Ltd), other than those assets exclusively charged to other banks/ financial institutions, wherever situated present and future.	Tenor : 3 Years 2 months. Repayments within 3 years 2 months from the date of disbursal by way of 14 equal quarterly instalments.												
ICICI Bank Ltd.	5,000.00	–	First pari passu charge (pari passu with Development Credit Bank) on moveable assets/equipments both present and future excluding those which are exclusively charged to other lenders with minimum asset cover of 1.10 times on the outstanding facility.	16 quarterly instalments starting at the end of 15 months from the date of first disbursement i.e., 30th Sept. 2014.												
Tata Capital Ltd.	13.15	38.17	Secured by hypothecation of asset acquired out of the said loan	Repayable in 36 monthly equated instalments.												
HDFC Bank Ltd.	21.10	–	Secured by hypothecation of asset acquired out of the said loan	Repayable in 36 monthly equated instalments.												
ICICI Bank Ltd	1,503.00	2,611.12	Secured by first pari passu charge over the immoveable and moveable fixed assets of the Company (excluding Kumardhubi plant - Unit 1) both present and future. This facility is also guaranteed by Holding Company.	Loan is repayable in 10 equal half yearly instalments, the first such instalment being due on September 15, 2011 and at the end of every six months there after. Interest is payable at the rate of LIBOR + 2.50% p.a. on amount beginning April 6, 2009 and every half year thereafter. Interest rate is to be reset two business days before the start of each interest period.												
ICICI Bank Ltd	4,507.00	5,439.00	Secured by first pari passu charge on all moveable and immoveable fixed assets of the Company (excluding Kumardhubi plant - Unit 1) both present and future.	Loan is repayable in 8 equal half yearly instalments, the first such instalment being due on February 27, 2014 and at the end of every six months thereafter. Interest is payable at the rate of LIBOR + 4.40% p.a. on amount beginning February 28, 2011 and every half year thereafter. Interest rate is to be reset two business days before the start of each interest period.												
ICICI Bank Ltd.	–	3,607.10	Irrevocable and unconditional corporate guarantee from MBECL which shall be valid throughout the tenure of the facility guaranteeing all obligations of the borrower. MBECL's corporate guarantee will be capped at an amount of 110% of the facility amount. Provided the guarantee from MBECL shall be released proportionately from time to time upon repayment/prepayment of the Facility.	Repayments in 6 equal half yearly instalments.												
Axis Bank	–	6,209.08	Secured by corporate guarantee from MBECL.	Repayments in quarterly instalments												
Axis Bank	–	1,631.46	Secured by corporate guarantee from MBECL.	Payable - 1 instalment												
DBS Bank Ltd.	3,606.00	3,264.36	Secured by first pari passu charge on all moveable and immoveable fixed assets of the Company (excluding Kumardhubi plant - Unit 1) both present and future. This facility is also guaranteed by Holding Company.	Loan is repayable in 13 equal quarterly instalments, the first such instalment being due on May 14, 2014 and at the end of every quarter thereafter. Interest is payable at the rate of LIBOR+ 2.95% p.a. on amount beginning August 14, 2012 and quarterly thereafter.												
Karur Vysya Bank Ltd	–	69.00	Secured by pari passu charge on the factory land situated at Asansol together with buildings and plant and machinery erected thereon.	Original loan availed Rs. 1,090 Lakhs is repayable in 48 equal monthly instalments, the first such instalment being due on July 30, 2009 and at the end of every month thereafter. Interest is payable at the rate of Bank rate plus 0.75% p.a. on amount beginning August 1, 2008 and monthly thereafter.												
Kotak Mahindra Prime Limited	4.58	4.61	Secured by hypothecation of motor vehicles acquired out of the loan.	Car Loans are repayable in 60 equal monthly instalments. Interest is payable at the rate of 11.35% p.a.												
	18,889.13	29,488.44														

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

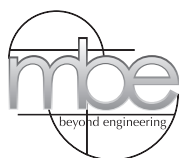
(All figures in Rs. Lacs, unless otherwise stated)

	As at March 31,2014	As at March 31,2013
44 SECURED SHORT-TERM BORROWINGS		
Term Loan from Banks :		
Indian Rupee Loan	17,478.11	9,234.24
Foreign Currency Loan	1,989.72	3,196.22
Loan Repayable on demand :		
From Banks	68,478.59	50,554.48
From Others	—	2,500.00
	87,946.42	65,484.94
(a) Consortium of Banks: A first pari passu charge by way of hypothecation of the current assets viz., stocks of raw materials, semi-finished goods, finished goods, stores and spares, bills receivables including receivables from hire purchase/leasing, book debts and other movable assets, both present and future. A first pari passu charge in favour of the said Banks by way of third party charge on the movable and fixed assets of the Kumardhubi Division owned by McNally Sayaji Engineering Company Limited, (a Subsidiary Company). A corporate guarantee from McNally Sayaji Engineering Company Limited in favour of the BOI Consortium equivalent to the value of the property to be mortgaged by McNally Bharat Engineering Company Limited.	62,928.10	44,855.94
(b) HDFC Bank Ltd: Hypothecation of current assets of the company by way of Subservient charge.	5,000.00	5,000.00
(c) Karur Vysya Bank Ltd: Pari passu Hypothecation charge on retention money of RINL project, SAIL ISCO Steel Plant, Burnpur and BHEL projects amounting to Rs 18400.00 lacs along with other lenders.	1,978.11	2,500.00
(d) Cash Credit facilities and Working Capital Demand Loans from ICICI Bank Limited and ING Vysya Bank Limited aggregating Rs. 4,406 lakhs (31.03.2013 Rs. 1,574 lakhs) are secured by first pari passu charge on entire current assets of the Company. This facility is also secured by second pari passu charge over the immoveable and moveable fixed assets of the Kumardhubi plant - Unit II, both present and future. Cash Credit facilities and Working Capital Demand Loans from DBS Bank Limited and IDBI Bank Limited aggregating Rs. 2,250 lakhs (31.03.2013 Rs. 1,500 lakhs) are secured by first pari passu charge on entire current assets of the Company. Cash Credit facilities and Working Capital Demand Loan from State Bank of India of Rs. 3,600 lakhs (31.03.2013 Rs. 3,097 lakhs) is secured by first pari passu charge on entire current assets of the Company together with land and windmill machinery at Jamnagar. This facility is also secured by second pari passu charge over the immoveable and moveable fixed assets of the Kumardhubi plant - Unit II, both present and future.	10,256.39	6,171.37
(e) ICICI Bank Limited : Secured by first charge by way of hypothecation of Company's entire stock of raw materials, work-in-progress, semi-finished and finished goods, consumable Stores and spares and other movables including book-debts, bills whether documentary or clean, outstanding monies, receivables, both present and future, in a form and manner satisfactory to the Bank, ranking pari passu with other participating bank, if any. Interest is payable on such facility at I-Base + spread is 4% and its effective rate as on balance sheet date is 14% (Previous Year 13.75%). ING Vysya Bank Limited : Secured by first charge by way of hypothecation of Company's entire stock of raw materials, work-in-progress, semi-finished and finished goods, consumable Stores and spares and other movables including book-debts, bills whether documentary or clean, outstanding monies, receivables, both present and future, in a form and manner satisfactory to the Bank, ranking pari passu with other participating bank, if any. Interest is payable on such facility at IVRS Plus 300 bps and its effective rate as on balance sheet date is 13.80%. (Previous Year 13.45%). Secured by Corporate Guarantee of McNally Bharat Engineering Limited (MBEL) in favour of ICICI Bank Limited and ING Vysya Bank Limited	1,018.34	1,105.14
(f) Secured by Corporate Guarantee of McNally Bharat Engineering Company Limited (MBECL) in favour of ICICI Bank Limited, AXIS Bank's Standby Letter of Credit in favour of Commerzbank & Bayern LB and short current account credit by Commerzbank, Cologne, Germany.	6,765.49	5,852.49
	87,946.43	65,484.94

Notes to the Consolidated Financial Statements for the year ended 31.03.2014

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

	As at March 31,2014	As at March 31,2013
45 INVESTMENTS		
The following table includes the classification of investments in accordance with AS 13:		
Accounting for Investments		
Current Investments		
Investment in Nil (March 31,2013-383.925 Units) of IDFC Liquid Fund-Growth (Valued at cost)	–	7.02
Total Current Investments	–	7.02
Long Term Investments		
Quoted Equity Shares		
Nil (2012-13: 18971166) Equity Shares in Hyward Tyler Group Plc (formerly known as Specialist Energy Group Plc). of 1 penny each fully paid	–	9,415.30
10,960 (March 31,2013 - 10,960) Equity Shares of Rs. 5 each fully paid up in Eveready Industries India Ltd.	2.28	2.28
10,960 (March 31,2013 - 10,960) Equity Shares of Rs. 5 each fully paid up in Mcleod Russel India Ltd.	2.28	2.28
Unquoted Equity Shares		
100 shares of Rs25/- each of Co Operative Bank of Baroda Ltd	0.03	0.03
100 shares of Rs10/- each fully paid-up of McNally Bharat Co-operative Credit	–	0.01
Total Long Term Investments	4.59	9,419.90
Total Investments (Current and Long Term)	4.59	9,426.92
Disclosure under :		
Non Current Investments (Refer note 14)	4.59	9,419.90
Current Investments (Refer note 15)	–	7.02
Total	4.59	9,426.92



Notes to the Consolidated Financial Statements for the year ended 31.03.2014

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

As at March 31,2014	As at March 31,2013
------------------------	------------------------

46 PROVISION FOR ONEROUS CONTRACTS

The Company is engaged in the business of executing projects on turnkey basis. Progress in some such contracts have suffered for various reasons and mostly beyond the control of the Company. Against these contracts which are now being considered as onerous in nature, the Company as a measure of abundant precaution has decided to make an omnibus provision of Rs. 75 Crores to take care of any future losses that may arise.

47 EXCEPTIONAL ITEM

During the year, Leasehold rights with respect to a portion of land at Savli, Gujarat had been transferred for a net profit of Rs. 531 lakhs and has been treated as Exceptional item.

48 ANTICIPATED LOSSES

A provision for anticipated loss is recognised where it is probable that the estimated contract costs are likely to exceed the total contract revenue.

The activity in the provision for anticipated losses is as follows:

Opening Balance	—	—
Additional Provision during the year	874.14	—
Provision reversed during the year	—	—
Provision utilized during the year	—	—
Closing Balance	874.14	—

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

Signatories to notes 1 to 49

For **Lovelock & Lewes**
Firm Registration Number 301056E
Chartered Accountants
Prabal Kr. Sarkar
Partner
Membership No. 52340
Kolkata, 30th May, 2014

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

Consolidated Cash Flow Statement for the Year Ended 31.03.2014

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

	Year Ended March 31,2014	Year Ended March 31,2013
CASH FLOWS FROM OPERATING ACTIVITIES :		
Profit/(Loss) before tax	(7,391.80)	(261.50)
Adjustments for:		
Depreciation	4,013.32	3,055.50
Finance Cost	19,644.05	13,683.30
Interest Income	(340.90)	(488.80)
Dividend Income	(0.77)	(0.66)
Loss/(Profit) on Disposal of Fixed Assets (Net)	0.95	(165.49)
Loss/(Profit) on Sale of Investment (Net)	(1,791.02)	(0.07)
Bad Debts Written Off	425.95	176.19
Impairment loss on Investment	—	3,507.48
Liabilities no longer required written back	(553.18)	(481.94)
Unrealised (gain)/ loss on Derivative Contracts	(262.63)	1,301.40
Provision for Future Foreseeable Losses in Construction Contracts	664.10	—
Unrealised (gain)/ loss on Foreign Currency Translation (Net)	268.36	848.03
Provision for onerous contracts	7,500.00	—
	<u>29,568.23</u>	<u>21,434.94</u>
Operating profit/(loss) before working capital changes	22,176.43	21,173.44
Adjustments for Changes in Working Capital :		
(Increase) / Decrease in trade & Other Receivables	(48,408.53)	(39,656.74)
(Increase) / Decrease in Inventories	(3,972.57)	(1,941.24)
Increase / (Decrease) in trade payables & Other Payables	14,273.25	5,601.86
	<u>(38,107.85)</u>	<u>(35,996.12)</u>
Cash generated from/(used in) operations	(15,931.42)	(14,822.68)
Direct Taxes Paid (Net of Refund Received)	(2,464.97)	(769.67)
	<u>(2,464.97)</u>	<u>(769.67)</u>
Net cash generated from/(used in) operating activities	(18,396.39)	(15,592.35)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(5,816.81)	(7,134.29)
Sale of Fixed Assets	303.60	2,744.21
Interest Received	340.90	438.52
Dividend Received	0.77	0.66
Investment in Associates	—	(4,806.82)
Purchase of Current Investments	—	0.07
Sale of Current Investments	8.26	—
Sale of Non Current Investments	11,205.10	—
(Increase) / Decrease in Fixed Deposit	678.52	—
	<u>6,720.34</u>	<u>(8,757.65)</u>
Net cash from/(used in) investing activities	6,720.34	(8,757.65)

Consolidated Cash Flow Statement for the Year Ended 31.03.2014

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

	Year Ended March 31,2014	Year Ended March 31,2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance Cost Paid (Including Interest Paid)	(19,578.25)	(13,454.23)
Proceeds from Issue of Shares	150.00	825.00
Security Premium on issue of Preference Shares	—	2,888.40
Proceeds from Long Term Borrowings	12,525.25	9,063.36
Repayment of Long Term Borrowings	(16,373.23)	(1,871.61)
Proceeds from Short Term Borrowings	50,834.39	83,012.65
Repayment of Short Term Borrowings	(14,900.79)	(57,095.14)
Increase/(decrease) in Book Overdraft in Current Account with Banks	(108.98)	179.57
Dividend paid (Including tax thereon)	(419.18)	12,129.21
		(444.82)
Net cash from/(used in) financing activities	12,129.21	23,103.18
Net increase/(decrease) in cash and cash equivalents	453.16	(1,246.82)
Cash and cash equivalents (Opening Balance) [Refer note 2 below]	4,505.86	5,523.55
Cash and cash equivalents (Closing Balance) [Refer note 3 below]	4,959.02	4,276.73

Notes:

1) The above cash flow statement has been prepared under the Indirect Method as set out in the Accounting Standard- 3 on Cash Flow Statements.

2) Cash and Cash Equivalents comprise :

	31.03.2014	31.03.2013
Cash on Hand	210.62	103.23
Cheques on Hand	230.05	—
Remittance in Transit	60.79	13.39
Bank Balances in Current Account	4,087.01	3,990.22
Demand Deposits (Less than 3 months maturity)	586.80	399.02
	5,175.27	4,505.86

3) Cash & Cash Equivalents :

Cash & Cash Equivalents as above	4,959.02	4,276.73
Effect of Exchange Rate Changes	216.25	229.13
Cash and Cash Equivalents (Refer note 2)	5,175.27	4,505.86

4) Previous year's figure have been rearranged and/or regrouped wherever necessary.

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

For **Lovelock & Lewes**
Firm Registration Number 301056E
Chartered Accountants
Prabal Kr. Sarkar
Partner
Membership No. 52340
Kolkata, 30th May, 2014

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



McNally Bharat Engineering Company Limited

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

NOTICE

NOTICE is hereby given that the Fifty First Annual General Meeting of the Members of McNally Bharat Engineering Company Limited will be held on Wednesday, July 30, 2014, at 11:00 a.m at Eastern Zonal Cultural Centre, Purbashree, IB 201, Sector – 3, Salt Lake City, Kolkata – 700106, to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Balance Sheet as at March 31, 2014, the Profit and Loss account for the year ended on that date and the Report of the Directors and Auditors thereon.
2. To declare a dividend on Non-convertible Redeemable Preference Shares for the financial year ended March 31, 2014.
3. To appoint a Director in place of Mr. Virendra Kumar Verma, who retires by rotation and, being eligible, seeks re-appointment.
4. To appoint a Director in place of Mr. Subir Ranjan Dasgupta, who retires by rotation and, being eligible, seeks re-appointment.
5. To appoint a Director in place of Mr. Asim Kumar Barman, who retires by rotation and, being eligible, seeks re-appointment.
6. To appoint Statutory Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the Annual General Meeting for the year ended March 31, 2017, subject to ratification of their appointment at every Annual General Meeting, and authorize the Board to fix their remuneration. M/s Lovelock & Lewes, Chartered Accountants (FRN: 301056E), retiring Auditors being eligible, offer themselves for reappointment.

Special Business

7. To Consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution
“RESOLVED THAT in suppression of the resolution adopted at the Forty Sixth Annual General Meeting held on November 23, 2009, the consent of the Company be and is hereby granted, in accordance with Section 180(1)(a) and all other applicable provisions, if any, of the Companies Act, 2013, and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), to the Board of Directors to mortgage and/or charge, in addition to the mortgages and/or charges created/to be created by the Company, in such form and manner and with such ranking as to priority and for such time and on such terms as the Board may determine, all or any of the movable and /or immovable, tangible and/or intangible properties of the Company, both present and future and/or the whole or any part of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the Company in certain events of default, in favour of the lender(s), agent(s), trustee(s) for securing the borrowings of the Company availed/to be availed by way of loan(s) (in foreign currency and/or rupee currency) and securities (comprising fully/partly convertible debentures and/or non-convertible debentures with or without detachable or non-detachable warrants and/or secured premium notes and/or floating rates notes/bonds or other debt instruments), issued /to be issued by the Company, from time to time, subject to the limits approved under Section 180(1)(c) and other applicable provisions of the Companies Act, 2013, and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), together with interest at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on pre-payment, remuneration of agent(s)/ trustee(s), premium (if any) on redemption, all other costs, charges and expenses, including any increase as a result of devaluation/revaluation /fluctuation in the rates of exchange and all other monies payable by the Company in terms of loan agreement(s), heads of agreement(s), debenture trust deed or any other document entered into/to be entered into between the Company and the lender(s)/agent(s)/trustees, in respect of the said loans/borrowings/debentures and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors or Committee thereof and the lender(s)/ agent(s)/trustee(s).”

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board or Committee thereof be and is hereby authorized to finalize, settle and execute such documents/deeds/writings/papers/agreements as may be required and to do all acts, deeds, matters and things, as it may in its absolute discretion deemed necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgage/charge as aforesaid and also to delegate all or any of the above powers to the Committee of Directors or the Managing Director or the Chief Financial Officer or the Company Secretary of the Company and generally to do all acts, deeds and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid Resolution.”

8. To Consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution
“RESOLVED THAT in suppression of the resolution adopted at the Forty Fourth Annual General Meeting held on September 10, 2007, the consent of the Company be and is hereby granted, in accordance with Section 180(1)(c) and other applicable provisions of the Companies Act, 2013, and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), to the Board of Directors to borrow any sum or sums of money from time to time from any one or more bankers and or from anyone or more other persons, firms, bodies corporate or financial institutions whether by

way of cash credit, advance or deposits, loans or bills discounting, issue of debentures or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets and properties, whether immovable or moveable or stock-in-trade (including raw materials, stores, spare parts and components in stock or in transit) and work-in-progress and all or any of the undertaking(s) of the Company notwithstanding that the moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, so that the total amount upto which the moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs.50,00,00,00,000/- (Rupees five thousand crores only) exclusive of interest, and the Board of Directors is hereby further authorised to execute such debenture trust deeds or mortgage, charge, hypothecation, lien, promissory notes, deposit receipts and other deeds and instruments or writings containing such conditions and covenants as the Board may think fit."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to take all such steps and actions and give such directions and delegate such authorities, as it may in its absolute discretion, deem appropriate."

9. To Consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution

"RESOLVED THAT pursuant to the provisions of Section 186 and other applicable provisions of the Companies Act, 2013, and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), and subject to such approvals, consents, sanctions and permissions of appropriate authorities, departments or bodies as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors of the Company to make loan(s) and/or give any guarantee(s)/provide any security(ies) in connection with loan(s) made to and/or acquire by way of subscription, purchase or otherwise the securities of any body corporate up to a limit not exceeding Rs.20,000 million notwithstanding that the aggregate of the loans, guarantees or securities so far given or to be given to and/or securities so far acquired or to be acquired in all bodies corporate may exceed the limits prescribed under the said section.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to sign and execute all deeds, applications, documents and writings that may be required, on behalf of the Company and also to delegate all or any of the above powers to the Committee of Directors or either of the Whole Time Directors of the Company or the Company Secretary of the Company and generally to do all acts, deeds and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid Resolution."

10. To Consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution

"RESOLVED THAT pursuant to section 13 and 61 and other applicable provisions, if any, of the Companies Act, 2013, and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), consent be and is hereby accorded to alter the Authorised Share Capital of the Company from Rs. 1,600,000,000/- (Rupees One Hundred and Sixty Crores Only) divided into 40,000,000 (Four Crores) equity shares of Rs. 10/- (Rupees Ten Only) each and 12,000,000 (One Crore Twenty Lakhs) Non-Convertible Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred Only) each to 1,900,000,000/- (Rupees One Hundred and Ninety Crores Only) divided into 40,000,000 (Four Crores) equity shares of Rs. 10/- (Rupees Ten Only) each, 12,000,000 (One Crore Twenty Lakhs) Non-Convertible Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred Only) each and creation of an additional 30,000,000 (Three Crores) Equity Shares of Rs. 10/- (Rupees Ten Only) each and consequently the Clause 5 of the Memorandum of the Association of the Company be and is hereby altered by substituting the following new clause:

"5. The Share Capital of the Company is Rs. 190,00,00,000/- (Rupees One Hundred and Ninety Crores Only) divided into 7,00,00,000 (Seven Crores) equity shares of Rs. 10/- (Rupees Ten Only) each and 1,20,00,000 (One Crore Twenty Lakhs) Non-Convertible Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred Only) each. The Company shall have power to increase or reduce the share capital from time to time as it may think proper, and the shares forming the capital, original increased or reduced, may be divided into such classes, and may be issued with any preferential, deferred, qualified or special rights, privileges and conditions, or with such qualifications as regards preference, dividend, return of capital, voting or other special incidents, and to be held on such terms as may be attached thereto, or as may be provided by the Company's Article of Association for the time being but so that where shares are issued with any preferential or special rights attached thereto such rights shall not be alterable otherwise than pursuant to the provisions of the Company's Articles of Association for the time being."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to take all such steps and actions and give such directions and delegate such authorities, as it may in its absolute discretion, deem appropriate."



11. To Consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution

"RESOLVED THAT pursuant to Section 14 and other applicable provisions, if any, of the Companies Act, 2013, and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the existing Article 4 of the Articles of Association of the Company be and is hereby altered by substituting with the following new Article.

"4. The Share Capital of the Company is Rs. 1,90,00,00,000/- (Rupees One Hundred and Ninety Crores Only) divided into 7,00,00,000 (Seven Crores) equity shares of Rs. 10/- (Rupees Ten Only) each and 1,20,00,000 (One Crore Twenty Lakhs) Non-Convertible Redeemable Preference Shares of Rs.100/- (Rupees One Hundred Only) each".

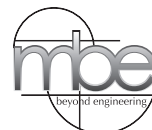
"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to take all such steps and actions and give such directions and delegate such authorities, as it may in its absolute discretion, deem appropriate."

12. To Consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution

"RESOLVED that pursuant to the provisions of Section 62 the Companies Act, 2013 (the Act) (including any amendment thereto or re-enactment thereof), and in accordance with the provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into with the stock exchanges where the Ordinary Shares of the Company are listed (the "Stock Exchanges"), Foreign Exchange Management Act 2000 (FEMA), Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000 and Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 and the regulations/ guidelines, if any, prescribed by the Securities and Exchange Board of India, Reserve Bank of India, the Stock Exchanges, the Government of India or any other relevant authority from time to time, to the extent applicable and subject to such approvals, consents, permissions and sanctions as might be required and subject to such conditions as may be prescribed while granting such approvals, consents, permissions and sanctions, which the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee(s) constituted/to be constituted by the Board to exercise its powers including the powers conferred by this Resolution) is hereby authorised to accept, the Board be and is hereby authorised on behalf of the Company to raise resources in one or more tranche by way of fresh issue of Equity Shares/ Equity Linked Instruments/ Convertible Debentures/ Equity Share Warrants / Convertible Instrument etc. or any combination thereof upto a total amount of Rs. 250 crores to Promoters, Domestic Investors, Qualified Institutional Buyers, FIIs, NRIs & Corporate Bodies etc. on FPO/Rights/ Preferential-Private Placement basis or any other suitable mechanism to meet the working capital requirements, long term capital requirement & other purposes by creating, issuing, offering and allotting, (including with provisions for reservation on firm and/or competitive basis, of such part of issue and for such categories of persons as may be permitted), in the course of one or more public or private offerings in domestic and/or one or more international market(s), with or without a green shoe option, Ordinary Shares and/or Ordinary Shares through depository receipts and/or convertible bonds and/ or other securities convertible into Ordinary Shares at the option of the Company and/or the holder(s) of such securities, and/or securities linked to Ordinary Shares and/or securities including convertible and / or non-convertible debentures with warrants or other securities with or without warrants, which may either be detachable or linked, and which warrant has a right exercisable by the warrant holder to subscribe for the Ordinary Shares and/or warrants with an option exercisable by the warrant-holder to subscribe for Ordinary Shares and/or any instruments or securities representing either Ordinary Shares and/or convertible securities linked to Ordinary Shares (including the issue and allotment of Ordinary Shares pursuant to a Green Shoe Option, if any), (all of which are hereinafter collectively referred to as 'Securities') or any combination thereof to eligible investors under applicable laws, regulations and guidelines (whether residents and/or non-residents and/or institutions/banks and/or incorporated bodies, mutual funds, venture capital funds and Indian and/or multi-lateral financial institutions and/or individuals and/or trustees and/ or stabilising agents or otherwise, and whether or not such investors are members of the Company), through prospectus and/or letter of offer or circular and/or on public and/or private/preferential placement basis, such issue and allotment to be made at such time/times, in one or more tranches, for cash, at such price or prices, in such manner and where necessary, in consultation with the Book Running Lead Managers and/or other Advisors or otherwise, on such terms and conditions as the Board, may, in its absolute discretion, decide at the time of issue of Securities provided that the total amount raised through the issuance of such Securities does not exceed Rs. 250 crores or its equivalent in one or more currencies, including premium if any as may be decided by the Board, to investors as mentioned above.

"RESOLVED FURTHER that without prejudice to the generality of the above, the aforesaid issue of the Securities may have all or any terms or conditions or combination of terms in accordance with applicable regulations, prevalent market practices, including but not limited to terms and conditions relating to payment of interest, dividend, premium on redemption at the option of the Company and/or holders of any Securities or for variation of the price or period of conversion of Securities into Ordinary Shares or issue of Ordinary Shares during the period of the Securities or terms pertaining to voting rights or option(s) for early redemption of Securities.

"RESOLVED FURTHER that the Board be and is hereby authorised to issue and allot such number of Ordinary Shares as may be required to be issued and allotted, including issue and allotment of Ordinary Shares upon conversion of any Securities



referred to above or as may be necessary in accordance with the terms of the offer, subject to the provisions of the Memorandum and Articles of Association of the Company all such shares shall rank pari passu inter se and with the then existing Ordinary Shares of the Company in all respects, including dividend."

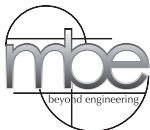
By Order of the Board of Directors
For McNally Bharat Engineering Company Limited
S Chattopadhyay
Sr. Vice President – Commercial & Company Secretary

Kolkata
May 30, 2014

NOTES

1. The Statement pursuant to Section 102(1) of the Companies Act, 2013, with respect to special business set out in the Notice is annexed
2. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
3. A proxy form duly completed and stamped, must reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
4. The Company is providing the facility of e-voting to the Members and the details are set out in the Annexure set herewith
5. Members/Proxies should bring the Attendance Slip sent herewith, duly filled in, for attending the meeting.
6. The Register of Members and Share Transfer Books of the Company will remain closed from July 21, 2014 to July 29, 2014 (both days inclusive).
7. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the Members at the AGM.
8. Members who are holding Shares in identical order or names in more than one folio are requested to send to the Company the details of such folios together with the Share Certificates for consolidating their holdings in one folio. The Share Certificates will be returned to the Members after making requisite changes thereon.
9. Non-resident Indian Shareholders are requested to inform the Company immediately:
 - a. The change in residential status on return to India for permanent settlement;
 - b. The particulars of the Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank, if not furnished earlier.
10. Members whose shares are held in dematerialized form are requested to inform change in address and updates of savings bank account details to their respective depository participants. Dividends in respect to such shares held in dematerialized form shall be credited to the beneficial owners' savings bank account directly through National Electronic Clearing Services (NECS), subject to the availability of such bank details.
11. Members holding shares in physical form and desirous of having NECS facility, should provide their bank details and 9 digit MICR to the RTA of the Company immediately. The Members who have already given their bank details should furnish the same only if there is any change.
12. Members who are holding shares in physical form are requested to notify change in address, if any, to the Company's RTA quoting their Folio Number. Members holding shares in dematerialized form, should intimate change of their address, if any, to their Depository Participant.
13. Information u/s 205A of the Companies Act, 1956 read with the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 as amended is given below:

Consequent upon amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of the Dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.
14. The Securities and Exchange Board of India (SEBI) vide Circular Ref.No.MRD/DoP/Cir-05/2007 dated April 27, 2007 made PAN mandatory for all securities market transactions. Thereafter, vide Circular No.MRD/DoP/Cir-05/2009 dated May 20, 2009 it was clarified that for securities market transactions and off market/private transactions involving transfer of shares in physical form of listed Companies, it shall be mandatory for the transferee(s) to furnish copy of PAN Card to the Company/RTA for registration of such transfer of shares.



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

- i) Deletion of name of the deceased shareholder(s), where the shares are held in the name of two or more shareholder(s).
 - ii) Transmission of shares to the legal heir(s), where deceased shareholder was the sole holder of shares.
 - iii) Transposition of shares - when there is a change in the order of names in which physical shares are held jointly in the names of two or more shareholders.
15. The Shareholders are requested to send directly all documents, transfer, demat requests and other communication in relation thereto to the Registrar at their following address:
- M/S Maheshwari Datamatics Pvt. Ltd.**
Unit: McNally Bharat Engineering Co. Ltd.
6 Mangoe Lane, 2nd Floor
Kolkata – 700001
16. The Ministry of Corporate Affairs (MCA), Government of India, has by its Circular Nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively, permitted companies to send official documents to their shareholders electronically in compliance of Section 53 of the Companies Act, 1956 as part of its green initiatives in corporate governance. Thus the Company is sending documents like the Notice convening the Annual General Meeting, Annual Reports and other documents to the email addresses provided by the Members to the Company or the Registrar and Share Transfer Agents of the Company.
17. Members may also note that the Annual Report of the Company for the Financial Year 2013-14 and the Notice of the AGM to be held on July 30, 2014, will be available on the Company's portal <http://www.mcnallybharat.com/>
18. The information as required to be provided in terms of the Listing Agreement with the Stock Exchanges regarding the Directors who are proposed to be appointed/re-appointed is annexed.
19. Members desiring any information as regards the Accounts are requested to write to the Company at least seven days prior to the meeting so as to enable the Management to keep the information ready at the Meeting.

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 7

The members of the Company at their Forty Sixth Annual General Meeting held on November 23, 2009, approved, by way of an Ordinary Resolution under Section 293(1)(a) of the Companies Act, 1956, to mortgage and/or charge, in addition to the mortgages and/or charges created/to be created by the Company, in favour of the lender(s), agent(s), trustee(s) for securing the borrowings of the Company availed/to be availed by way of loan(s) (in foreign currency and/or rupee currency) and securities (comprising fully/partly convertible debentures and/or non-convertible debentures with or without detachable or non-detachable warrants and/or secured premium notes and/or floating rates notes/bonds or other debt instruments), issued /to be issued by the Company.

Section 180(1)(a) of the Companies Act, 2013, effective from September 12, 2013, requires that the Board of Directors shall not sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company or where the company owns more than one undertaking, of the substantially the whole of any of such undertakings, except with the consent of the company accorded by way of a special resolution.

It is, therefore, necessary for the members to pass a Special Resolution under Section 180(1)(a) and other applicable provisions of the Companies Act, 2013, as set out at Item No. 7 of the Notice, to sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company or where the company owns more than one undertaking, of the substantially the whole of any of such undertakings. Approval of members is being sought to mortgage and/or charge, in addition to the mortgages and/or charges created/to be created by the Company, in favour of the lender(s), agent(s), trustee(s) for securing the borrowings of the Company availed/to be availed by way of loan(s) (in foreign currency and/or rupee currency) and securities (comprising fully/partly convertible debentures and/or non-convertible debentures with or without detachable or non-detachable warrants and/or secured premium notes and/or floating rates notes/bonds or other debt instruments), issued /to be issued by the Company.

None of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 7.

Item No. 8

The members of the Company at their Forty Fourth Annual General Meeting held on September 10, 2007, approved, by way of an Ordinary Resolution under Section 293(1)(d) of the Companies Act, 1956, borrowings over and above the aggregate of paid up share capital and free reserves of the Company provided that the total amount of such borrowings together with the amounts already borrowed and outstanding at any point of time shall not be in excess of Rs.50,00,00,00,000/- (Rupees five thousand crores only) exclusive of interest.

Section 180(1)(c) of the Companies Act, 2013, effective from September 12, 2013, requires that the Board of Directors shall not borrow money in excess of the company's paid up share capital and free reserves, apart from temporary loans obtained from the company's bankers in the ordinary course of business, except with the consent of the company accorded by way of a special resolution.

It is, therefore, necessary for the members to pass a Special Resolution under Section 180(1)(c) and other applicable provisions of the Companies Act, 2013, as set out at Item No. 8 of the Notice, to enable to the Board of Directors to borrow money in excess of the aggregate of the paid up share capital and free reserves of the Company. Approval of members is being sought to borrow such amount of money provided that the total amount of such borrowings together with the amounts already borrowed and outstanding at any point of time shall not be in excess of Rs.50,00,00,00,000/- (Rupees five thousand crores only) exclusive of interest.

None of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 8.

Item No. 9

The members of the Company, through means of a Postal Ballot, the results of which were declared on January 29, 2010, approved by way of a Special Resolution under Section 372A and other applicable provisions, if any, of the Companies Act, 1956, to make loan(s) and/or give any guarantee(s)/provide any security(ies) in connection with loan(s) made to and/or acquire by way of subscription, purchase or otherwise the securities of any body corporate up to a limit not exceeding Rs.20,000 million

Section 186 of the Companies Act, 2013, effective from April 1, 2014, requires that the Board of Directors shall not give any loan, guarantee, provide security in connection with a loan and acquire securities of any other body corporate in excess of the sixty percent of its paid-up share capital, free reserves and securities premium account or one hundred per cent of its free reserves and securities premium account, whichever is more, unless the consent of the company is accorded by way of a special resolution

The Company makes various investments in subsidiaries, and provides loans and corporate guarantees to its subsidiaries and other bodies corporate or other entities in India and/or abroad for furthering its business activities. The Board of Directors thus requires approval, by means of a Special Resolution in item no. 9, under Section 186 of the Companies Act, 2013, of the Members of the Company, for achieving greater financial flexibility and facilitating speedier implementation of various projects, to invest in excess of the investment limits specified under the said Section of the Act by a sum not exceeding Rs.20,000 million. The funds required for the investment(s) would be sourced through internal accruals and/ or proceeds of issue of securities and/or external borrowings if deemed necessary.

None of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 9.

Item No. 10 & 11

In order to generate long term funds by issue of Equity Shares to eligible investors, subject to necessary provisions and approvals, the Board of Directors in their meeting held on May 30, 2014, have decided to increase the existing Authorized Share Capital of the Company from Rs. 1,600,000,000/- (Rupees One Hundred and Sixty Crores Only) divided into 40,000,000 (Four Crores) equity shares of Rs. 10/- (Rupees Ten Only) each and 12,000,000 (One Crore Twenty Lakhs) Non-Convertible Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred Only) each to 1,900,000,000/- (Rupees One Hundred and Ninety Crores Only) divided into 40,000,000 (Four Crores) equity shares of Rs. 10/- (Rupees Ten Only) each, 12,000,000 (One Crore Twenty Lakhs) Non-Convertible Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred Only) each and creation of an additional 30,000,000 (Three Crores) Equity Shares of Rs. 10/- (Rupees Ten Only) each.

The aforesaid increase in the Authorized Share Capital will require the amendment of the Capital Clause of the Memorandum of Association and the Articles of Association of the Company. Thus the Special Resolution proposed for alteration of Clause 5 of the Memorandum of Association of the Company and Special Resolution for alteration in Article 4 of the Articles of Association of the Company is required to enable the above proposal to be implemented. Hence the resolutions set out in Item Nos. 10 and 11 are placed for consideration of the shareholders.

A copy of the Memorandum and Articles of Association is available for inspection by the shareholders during office hours at the Registered Office of the Company on any working day during the business hours up to the date of the meeting.

The Board of Directors accordingly recommends the passing of resolutions set out in item nos. 10 and 11 as Special Resolutions.

None of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Items No. 10 & 11.



Item No. 12:

The Company intends to raise additional long-term finance by issue of securities in the domestic/international markets and utilise the proceeds for capital expenditures, repayment of indebtedness, acquisitions, working capital in the Company, investments by way of equity and or debt in consolidated subsidiaries, joint ventures and associated companies and general corporate purposes.

The proposed resolution at Item No. 12 seeks the enabling authorisation of the Members to the Board of Directors, to raise additional funds through the issue of Securities in the domestic/international markets, including by way of depository receipts for an amount not exceeding Rs. 250 crores or its equivalent in one or more currencies, in one or more tranches, in such form, on such terms, in such manner, at such price and at such time as may be considered appropriate by the Board, to the various categories of investors in the domestic/international markets.

Section 62(1)(c) of the Companies Act, 2013, read with the relevant Rules made thereunder, and Listing Agreement entered with the Stock Exchanges, provide, inter alia, that where it is proposed to increase the subscribed share capital of the Company by allotment of further shares, such further shares shall be offered to the persons who on the date of the offer are holders of the equity shares of the Company, in proportion to the capital paid-up on those shares as of that date unless the Members decide otherwise. The Special Resolution at Item No. 12 seeks the consent and authorisation of the Members to the Board of Directors to make the proposed issue of Securities to Promoters, Domestic Investors, Qualified Institutional Buyers, FIIs, NRIs & Corporate Bodies etc. on FPO/Rights/ Preferential-Private Placement basis or any other suitable mechanism, in consultation with the Lead Managers, Legal Advisors and other intermediaries and in the event it is decided to issue Securities convertible into equity shares, to issue to the holders of such convertible securities in such manner and such number of equity shares on conversion as may be required to be issued in accordance with the terms of the issue, keeping in view the then prevailing market conditions and in accordance with the applicable provisions of rules, regulations or guidelines

The detailed terms and conditions including price, dividend, redemption period, etc., will be decided by the Board/Committee with regard to the prevailing market conditions and applicable regulations/guidelines, at the time of issue.

The Board recommends the passing of the Resolution as a Special Resolution.

The Directors of the Company may be deemed to be concerned or interested in this Resolution to the extent any instrument may be offered to and/or subscribed for by them or any Company or Body Corporate of which they are directors or shareholders. Save as aforesaid, none of the Directors of the Company are, in any way, concerned or interested in the resolution set out at Item No. 12.

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

Name of Director	Mr. V K Verma
Date of Birth	November 2, 1931
Date of Appointment	November 29, 1978
Expertise in specific functional areas	Business Executive
Qualifications	B. Com (Hons.), DBM, FCS, FCA
List of outside Directorships held	Nil
Chairman/Member of the Committee of the Board of Directors of the Company	3
Chairman/Member of the Committee of the Directors of other companies in which he is a Director	
a) Audit Committee	Nil
b) Shareholders'/Investors' Grievance Committee	Nil
c) Remuneration Committee	Nil
d) Nomination Committee	Nil
Shareholding in the Company as on 31.03.2014	700

Name of Director	Mr. Subir Ranjan Dasgupta
Date of Birth	October 10, 1945
Date of Appointment	June 21, 2007
Expertise in specific functional areas	Business Executive
Qualifications	B. A (Eco)
List of outside Directorships held	<ol style="list-style-type: none"> 1. Eveready Industries India Ltd 2. Kilburn Engineering Ltd 3. McNally Sayaji Engineering Ltd. 4. MBE Mineral Technologies Pte. Ltd. 5. China Town Properties Pvt. Ltd. 6. Trans Global Plc 7. Trans Global Group Ltd., UK 8. Waterbright Pte. Ltd., Singapore 9. Uniross SA 10. Novener SAS 11. Cairnhill Development Pvt. Ltd. 12. MBE Coal & Minerals Technology GmbH
Chairman/Member of the Committee of the Board of Directors of the Company	Member: <ol style="list-style-type: none"> 1. Audit Committee 2. Remuneration Committee 3. Committee of Directors
Chairman/Member of the Committee of the Directors of other companies in which he is a Director	
a) Audit Committee	McNally Sayaji Engineering Limited Kilburn Engineering Limited
b) Shareholders'/Investors' Grievance Committee	McNally Sayaji Engineering Limited
c) Remuneration Committee	McNally Sayaji Engineering Limited Kilburn Engineering Limited
d) Nomination Committee	Nil
Shareholding in the Company as on March 31, 2014	2,500

Name of Director	Mr. Asim Kumar Barman
Date of Birth	November 6, 1948
Date of Appointment	December 1, 2009
Expertise in specific functional areas	Administration, Power, Environment Urban Governance, etc
Qualifications	B. Sc (Chemistry)
List of outside Directorships held	<ol style="list-style-type: none"> 1. Bengal Emami Housing Limited 2. Keventer Foodpark Infra Limited 3. Aquagreen Engineering Management Private Limited
Chairman/Member of the Committee of the Board of Directors of the Company	Member: <ol style="list-style-type: none"> 1. Remuneration Committee 2. Shareholders'/Investors' Grievance Committee 3. Committee of Directors
Chairman/Member of the Committee of the Directors of other companies in which he is a Director	
a) Audit Committee	Nil
b) Shareholders'/Investors' Grievance Committee	Nil
c) Remuneration Committee	Member – Babcock Borsig Ltd
d) Nomination Committee	Nil
Shareholding in the Company as on March 31, 2014	Nil



McNally Bharat Engineering Company Limited

Corporate Identity Number (CIN) : L45202WB1961PLC025181

Registered Office :

Four Mangoe Lane, Kolkata – 700001, West Bengal, India

Tel : +9133-2213 8901-05, Fax : +9133-2230 3519

E-mail : mbecl@mbecl.co.in | Website : <http://www.mcnallybharat.com>

Attendance Slip

FIFTY FIRST ANNUAL GENERAL MEETING

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/our presence at the Fifty First Annual General Meeting of the Company to be held on Wednesday, July 30, 2014, at 11:00 a.m at Eastern Zonal Cultural Centre, Purbashree, IB 201, Sector – 3, Salt Lake City, Kolkata – 700106 (Near Salt Lake Stadium and AMRI Hospital, Salt Lake).

Please (✓) in the box.

☐ Member ☐ Proxy

Member's Signature

Proxy's Signature

*Applicable for investor holding shares in physical form

Form No. MGT-11

Proxy Form

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN : L45202WB1961PLC025181
 Name of the company : **McNally Bharat Engineering Company Limited**
 Registered office : 4 Mangoe Lane, Kolkata - 700001, West Bengal, India
 Name of the member (s) :
 Registered address :
 E-mail Id :
 Folio No/ Client Id :
 DP ID :

I/We, being the member (s) of shares of the above named company, hereby appoint

1 Name :
 Address :
 E-Mail ID :
 Signature :

or failing him

2 Name :
 Address :
 E-Mail ID :
 Signature :

or failing him

3 Name :
 Address :
 E-Mail ID :
 Signature :

as my/our proxy to attend and vote (on a poll) for me/us and on my/our as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Fifty First Annual general meeting of the company, to be held on the Thirtieth day of July At 11:00 a.m. at Eastern Zonal Cultural Centre, Purbashree, IB 201, Sector – 3, Salt Lake City, Kolkata – 700106, and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.

- 1 To receive, consider and adopt the Balance Sheet as at March 31, 2014, the Profit and Loss account for the year ended on that date and the Report of the Directors and Auditors thereon
- 2 To declare a dividend on Non-convertible Redeemable Preference Shares for the financial year ended March 31, 2014
- 3 To appoint a Director in place of Mr. Virendra Kumar Verma, who retires by rotation and, being eligible, seeks re-appointment
- 4 To appoint a Director in place of Mr. Subir Ranjan Dasgupta, who retires by rotation and, being eligible, seeks re-appointment
- 5 To appoint a Director in place of Mr. Asim Kumar Barman, who retires by rotation and, being eligible, seeks re-appointment
- 6 To appoint Statutory Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the Annual General Meeting for the year ended March 31, 2017, and authorize the Board to fix their remuneration. M/s Lovelock & Lewes, Chartered Accountants, retiring Auditors being eligible, offer themselves for reappointment
- 7 To receive approval, by means of Special Resolution, Under Section 180(1)(a) and all other applicable provisions, if any, of the Companies Act, 2013, and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force)
- 8 To receive approval, by means of Special Resolution, Under Section 180(1)(c) and other applicable provisions of the Companies Act, 2013, and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force)
- 9 To receive approval, by means of Special Resolution, Under Section 186 and other applicable provisions of the Companies Act, 2013, and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force)
- 10 To receive approval, by means of Special Resolution, increase the Authorised Share Capital of the Company and amend Clause 5 of the Memorandum of Association of the Company
- 11 To receive approval, by means of Special Resolution, increase the Authorised Share Capital of the Company and amend Article 4 of the Articles of Association of the Company
- 12 To receive approval, by means of Special Resolution, Under Section 62 of the Companies Act, 2013, and other applicable Statutes to raise resources upto a total amount of Rs. 250 crores in one or more tranches by way of fresh issue of Equity Shares/ Equity Linked Instruments/ Convertible Debentures/ Equity Share Warrants / Convertible Instrument etc. or any combination thereof.

Signed this day of 2014

Affix
Revenue
Stamp

Signature of Shareholder

Signature of Proxy holder(s)

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.



McNally Bharat Engineering
Company Limited

McNally Bharat Engineering Company Limited

Corporate Identity Number (CIN): L45202WB1961PLC025181
Registered Office: Four Mangoe Lane, Kolkata 700001, West Bengal, India.
T: +9133-2213 8901-05 F: 91-33-2230-3519
E: mbecl@mbecl.co.in | W: <http://www.mcnallybharat.com>

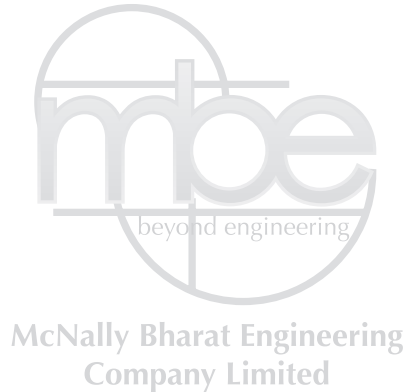
Folio No./DP. Id./Client Id:

Name:

Address:

Joint Holder(s):

No. of shares held:



Dear Member,

Sub: Voting through electronic means

Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, McNally Bharat Engineering Company Limited ("MBE" or "the Company") is offering e-voting facility to its Members in respect of the businesses to be transacted at the Fifty First Annual General Meeting scheduled to be held on Wednesday, July 30, 2014, at 11.00 a.m.

The Company has engaged the services of Central Depository Services (India) Limited ("CDSL") to provide e-voting facilities. The e-voting particulars are set out below:

ELECTRONIC VOTING PARTICULARS

EVSN (E-voting Sequence Number)	USER ID (16 Digit Demat Account/Folio No. of members holding shares in physical mode)	PERMANENT ACCOUNT NUMBER (PAN) (Original PAN / as per point no. 1 - (vii) of e-voting procedure of Instructions)

The e-voting facility will be available during the following voting period:

Commencement of e-voting: From Thursday, July 24, 2014, 9:00 a.m

End of e-voting: Up to Saturday, July 26, 2014, 6:00 p.m

Please read the instructions printed overleaf before exercising the vote. This Communication forms an integral part of the Notice dated May 30, 2014, for the Fifty First Annual General Meeting scheduled to be held on Wednesday, July 30, 2014. A copy of the said Notice is sent herewith. Attention is invited to the statement on the accompanying Notice that the businesses of the Meeting may be transaction through electronic voting system and that the Company is providing facility for voting by electronic means.

The Notice of the Annual General Meeting and this Communication are also available on the website of the Company at <http://www.mcnallybharat.com>

Yours Faithfully
For **McNally Bharat Engineering Company Limited**

Sukanta Chattopadhyay
Sr. VP Commercial & Company Secretary

Kolkata
May 30, 2014

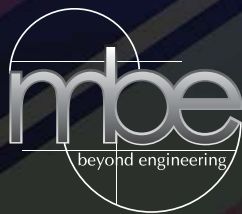


Instruction and other information relating to e-voting are as under:

1. In case of Members receiving e-mail:

- i. Log on to the e-voting website : www.evotingindia.com
 - ii. Click on "Shareholders" tab.
 - iii. Now, select the "**McNally Bharat Engineering Company Limited**" from the drop down menu and click on "SUBMIT"
 - iv. Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
 - v. Next enter the Image Verification as displayed and Click on Login.
 - vi. If you are holding shares in Demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password may be used.
 - vii. If you are a first time user follow the steps given below:
 - viii. After entering these details appropriately, click on "SUBMIT" tab.
 - ix. Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in Demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the Demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - x. For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
 - xi. Click on the EVSN for the relevant < **McNally Bharat Engineering Company Limited** > on which you choose to vote.
 - xii. On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
 - xiii. Click on the "RESOLUTIONS FILE LINK" if you wish to view the Resolution details.
 - xiv. After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
 - xv. Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
 - xvi. You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
 - xvii. If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system
 - xviii.
 - a. Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporates.
 - b. They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to helpdesk.evoting@cdslindia.com
 - c. After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
 - d. The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - e. They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.
 - xix. **In case of Members receiving the physical copy:**
 - a. Please follow all steps from sl. no. (i) to sl. no. (xviii) above to cast vote.
 - b. The voting period begins on Thursday, July 24, 2014, 9:00 a.m (IST) and ends on Saturday, July 26, 2014, 6:00 p.m (IST). During this period shareholders. of the Company, holding shares either in physical form or in de materialized form may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
 - c. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (.FAQs.) and e-voting manual available at www.evotingindia.co.in under help section or write an email to helpdesk.evoting@cdslindia.com.
2. Institutional Members / Bodies Corporate (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution / Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote through e-mail at ajaychandak07@yahoo.com with a copy marked to helpdesk.evoting@cdslindia.com on or before July 26, 2014, up to 10.00 a.m. without which the vote shall not be treated as valid.
 3. In case you have any queries or issues regarding e-voting, please contact the Company or Registrar & Share Transfer Agent or send mail to helpdesk.evoting@cdslindia.com or mdpl@cal.vsnl.net.in
 4. The voting rights of shareholders shall be in proportion to their share of the paid up equity share capital of the Company.
 5. E-voting period will commence from Thursday, July 24, 2014, 9:00 a.m, and will end on Saturday, July 26, 2014, 6:00 p.m.
 6. Mr. Ajay Chandak, Practicing Chartered Accountant, has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner, whose e-mail address is ajaychandak07@yahoo.com.
 7. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
 8. The Results shall be declared on or after the date of AGM of the Company. The Results declared along with the Scrutinizer's Report shall be placed on the Company's website www.mcleodrussel.com and on the website of CDSL within two (2) days of passing of the resolutions at the AGM of the Company.





McNally Bharat Engineering Company Limited

Ecospace Business Park, Campus-2B, 11F/12

New Town, Rajarhat, North 24 Parganas, Kolkata 700 156

T +91 33 66281111 30141111 F +91 33 68282277 30142277

www.mcnallybharat.com